

CRS Report for Congress

The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

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Summary

With enactment of the FY2007 supplemental on May 25, 2007, Congress has approved a total of about \$609 billion for military operations, base security, reconstruction, foreign aid, embassy costs, and veterans' health care for the three operations initiated since the 9/11 attacks: Operation Enduring Freedom (OEF) Afghanistan and other counter terror operations; Operation Noble Eagle (ONE), providing enhanced security at military bases; and Operation Iraqi Freedom (OIF).

The \$609 billion total covers all war-related appropriations from FY2001 through enactment of the FY2007 Supplemental (H.R. 2206/P.L. 110-28) that have been provided in supplementals, regular appropriations, and the FY2007 Year-Long Continuing Resolution (H.J.Res. 20/P.L. 110-5). Of that total, CRS estimates that Iraq will receive about \$448 billion (74%), OEF about \$127 billion (21%), and enhanced base security about \$28 billion (5%), with about \$5 billion that CRS cannot allocate (1%). About 93% of the funds is for DOD, 7% for foreign aid programs and embassy operations, and less than 1% for medical care for veterans.

The Administration has requested an additional \$195 billion for war-related activities for DOD, State/AID and Department of Veterans' Affairs (VA) Medical in FY2008 in regular and emergency requests including amendments submitted on July 31, 2007 for Mine Resistant Ambush Protected (MRAP) vehicles and the additional funds requested October 22, 2007. Of that \$195 billion, Iraq would receive about \$158 billion and Afghanistan about \$37 billion according to CRS estimates. If Congress provides these funds, CRS estimates that Iraq would receive \$607 billion and Afghanistan about \$164 billion since the 9/11 attacks.

In the first FY2008 Continuing Resolution (H.J.Res. 52/P.L. 110-92) and the recently-passed FY2008 DOD Appropriations Act (H.R. 3222), DOD received a total of \$16.8 billion to cover purchase of MRAP vehicles, a heavy truck with a V-shaped hull expected to be more effective in protecting against Improvised Explosive Devices (IEDs) than uparmored HMMWVs. These funds bring the total war funds enacted thus far to \$626 billion.

In October 2007, the Congressional Budget Office projected that war costs for the next 10 years might total an additional \$570 billion if troop levels fell to 30,000 by 2010, or \$1.1 trillion if troop levels fell to 75,000 by about 2013. Under these illustrative scenarios, CBO projects that funding for Iraq, Afghanistan and the GWOT could reach from about \$1.2 trillion and \$1.7 trillion for FY2001-FY2017.

For DOD, war appropriations continue to rise steeply with the FY2008 request about 20% higher than the previous year and 60% higher than FY2006. Based on obligations data for most of FY2007, CRS estimates that DOD's average monthly obligations for contracts and pay are running about \$11.4 billion including about \$9.6 billion for Iraq and \$1.8 billion for Afghanistan. This report will be updated as warranted.

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The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

Introduction

Since the terrorist attacks of September 11, 2001, the United States has initiated three military operations:

- Operation Enduring Freedom (OEF) covering Afghanistan and other Global War on Terror (GWOT) operations ranging from the Philippines to Djibouti that began immediately after the 9/11 attacks and continues;
- Operation Noble Eagle (ONE) providing enhanced security for U.S. military bases and other homeland security that was launched in response to the attacks and continues at a modest level; and
- Operation Iraqi Freedom (OIF) that began in the fall of 2002 with the buildup of troops for the March 2003 invasion of Iraq and continues with counter-insurgency and stability operations.

In the sixth year of operations since the 9/11 attacks, the cost of war is a major concern including the total amount appropriated, the amount for each operation, average monthly spending rates, and the scope and duration of future costs. For Congress to assess Department of Defense (DOD) war costs in FY2008, conduct oversight of past war costs, and consider future alternatives for Iraq that range from the President's temporary increase in troop levels initiated this spring to a complete withdrawal, Congress needs considerably better information on costs than has been provided in the past.

For updates of action on the FY2008 Supplemental, see CRS Report RL339999, *Defense: FY2008 Authorization and Appropriations*, by Pat Towell, Stephen Daggett and Amy Belasco. For final action on the FY2007 Supplemental, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et. al.

Current Action on FY2008 War Funding and Timing of Supplemental

Of the \$195 billion that the Administration has requested for FY2008, Congress has already provided \$16.8 billion for Mine Resistant Ambush Protected (MRAP) vehicles, a heavy truck with a V-shaped hull expected to be more effective against Improvised Explosive Devices (IEDs) than uparmored HMMWVs (see **Table 1**). These funds were provided in the first FY2008 Continuing Resolution (H.J.Res. 52/P.L.110-92) and the FY2008 DOD Appropriations Act (H.R. 3222) that was

passed on November 8, 2007. Once the President signs the bill, Congress will have provided a total of \$626 billion for the wars in Iraq, Afghanistan and enhanced security (see **Table A1**). Congress has not acted on the rest of the FY2008 request for war funding though according to press reports, the House may act on a bridge fund sometime next week.

Under the CR, once an agency receives its regular appropriation, that act supercedes the funding provided in the Continuing Resolution (Sec. 106, H.J.Res. 52, P.L. 110-92). Thus, DOD no longer has access to the \$70 billion in bridge funds for war included in last year's appropriations Act (Title IX, FY2007 DOD Appropriations, P.L. 109-289).

At the same time, however, DOD can use funds in its regular bill to finance war costs while awaiting passage of a bridge fund or supplemental, a practice used in previous years called "cash-flowing." This is possible because Congress has appropriated funds for DOD's baseline or regular budget and wartime funding in the same accounts, and unless Congress passes specific language restricting the use of these funds, the President can spend those monies for either war or peacetime activities.

For example, military personnel funds which provide funds for salaries and benefits can be used to pay housing allowances for soldiers at home or imminent danger pay for soldiers deployed in Iraq. Although report language provides more specific allocations, the statutory language only sets an overall limit for all military personnel costs for each service. Similarly, the Army can and has financed its war operating and support costs in the initial months of the fiscal year by temporarily tapping regular appropriations that are slated to be used at the end of the fiscal year.

While this practice increases flexibility for both the Administration and Congress, allowing DOD to temporarily fund war costs while awaiting passage of a bridge fund or supplemental, it also places less restrictions on the use of DOD funds and reduces visibility on war costs. Because funds are appropriated in the same accounts, baseline and war funding are co-mingled. Congress could require that the Administration set up separate accounts, which DOD has argued would be more cumbersome to manage.

Financing Army War Costs Without a Supplemental. With passage of the regular FY2008 DOD Appropriations bill, DOD no longer has access to the \$70 billion provided as a bridge fund in last year's appropriation.¹ DOD can, however, case flow or finance war costs using funds in its regular appropriations. As in recent years, Congress faces pressure to provide war funding quickly so that the Army — the service facing the largest war costs — does not have to use this practice, which they argue disrupts their baseline program. The Army has not, however, provided

¹ Sec. 153 of the new CR in H.R. 3222 provides an emergency designation exempting funds from budget caps for any war-related obligations that have already occurred under the first CR (P.L. 110-92) but that are not covered under DOD's FY2008 Appropriations bill. This actions recognizes GAO's most recent decision that provides that obligations that have been made under continuing resolutions are valid even if a later bill does not provide funding for that activity.

evidence of any readiness problems arising from temporarily tapping regular appropriations to finance war costs (see section below on FY2007 experience).

Based on DOD data, CRS, like the Army, estimates that the Army could continue to finance its war operating costs until mid-January 2008 by using funds slated to be used at the end of the year to cover war costs in the initial months of the fiscal year. If DOD transferred additional funds to the Army and the Army slowed its non-readiness related regular spending, as occurred last spring, CRS estimates that the Army could last about an additional month, or until mid to late-February 2008.²

Other Funds Available to DOD for War Costs. In addition to being able to tap its regular appropriations to finance war costs, DOD also has about \$45 billion in investment funds — for procurement, Research, Development, Test & evaluation (RDT&E), and military construction — from previous appropriations acts that have not yet been obligated.³ Because this funding is available for more than three to five years, some of the funds are obligated beyond the first year as contracts are written and processed.

Most of these funds are procurement monies, suggesting that unobligated war-related procurement funds still available to be spent are about half of the \$81 billion in procurement funds provided to DOD in FY2007 for its regular appropriations.⁴ These funds are available to purchase weapon systems and equipment appropriated by Congress for war.

New DOD Figures and CRS Estimates of War Costs. Although DOD's October amendment shows a total of \$553 billion in war-related appropriations, DOD has not provided an allocation of the budget authority (BA) for each of the three operations — Iraq, Afghanistan, and enhanced security. Periodically, DOD reports obligations to date for each operation (as of November 2006).

DOD does periodically provide cumulative obligations — reflecting after-the-fact spending — for Iraq, Afghanistan and enhanced security. As of August 2007, that total is \$470.6 billion including

- \$360.7 billion for Iraq; and
- \$82.3 billion for Operation Enduring Freedom; and
- \$27.6 billion for Operation Noble Eagle (enhanced security).

² This assumes the DOD uses most of its \$3.7 billion in transfer authority and temporarily slows non-readiness related spending by about \$3.6 billion as the Army planned to do last year. CRS's updated calculation, based on enacted level of H.R. 3222, is the same as included in Statement of Amy Belasco, CRS, before the House Budget Committee, Hearing on "The Growing Cost of the Iraq War," October 24, 2007; [http://budget.house.gov/hearings/2007/10.24Belasco_testimony.pdf].

³ CRS, Statement of Amy Belasco before the House Budget Committee, "The Rising Cost of the Iraq War," October 24, 2007; [http://budget.house.gov/hearings/2007/10.24Belasco_testimony.pdf].

⁴ CRS Report R133999, See Table 2 in *Defense: FY2008 Authorization and Appropriations* by Pat Towell, Stephen Daggett, and Amy Belasco.

These figures reflect a DOD financial reporting system that allocates budget authority by operation as funds are obligated, that is, when contracts are signed, orders are placed, or personnel are paid.⁵

This breakdown, however, does not cover about \$86 billion including over \$30 billion for classified programs, over \$45 billion from previous years that remains to be obligated primarily to upgrade or replace war-worn equipment as well as other funds that DOD does not consider to be war-related or appears not to have tracked.⁶

In the FY2007 Supplemental and FY2008 GWOT war requests, DOD now provides estimated breakdowns by operation for most of the budget authority requested before funds are obligated.⁷ For example, DOD estimates that the annual cost for Iraq would reach \$123.7 billion in FY2007 and \$110 billion in FY2008 if its requests are approved.⁸ Presumably, DOD could also allocate all funds that have already been appropriated based on obligations to date and estimates of unobligated funds, just as it has estimated the breakdown of its new requests.

In this report, CRS estimates the allocation of all funds appropriated to DOD for war costs rather than only those obligated thus far. Such estimates give Congress a better sense of the current status of funding available for each operation, and allow comparisons between fiscal years. CRS calculations of war appropriations available to DOD exceed DOD's estimate by about \$14 billion, probably because CRS includes all funds appropriated to DOD for the Global War on Terror, as well as

⁵ Compiled by the Defense Finance Accounting Service (DFAS) monthly, these reports are entitled "Supplemental and Cost of War Execution Reports."

⁶ CRS calculations based on tracking of war costs.

⁷ In its FY2007 and FY2008 war requests, DOD does not allocate \$6 billion to \$9 billion for intelligence, fuel for its baseline program, and other programs to either OIF or OEF; CRS allocates most of these amounts since they are requested as war funds; see Table 1a.. in DOD, *FY2007 Emergency Supplemental Request for the Global war on Terror*, February 2007;

[[http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.p](http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf)]df; hereinafter, *FY2007 Supplemental*, and in DOD, *FY2008 Global War on Terror Request*, February 2007, p. 74;

[http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf] hereinafter, DOD, *FY2008 GWOT Request*; DOD, MRAP amendment, July 31, 2007;

[http://www.defenselink.mil/comptroller/defbudget/fy2008/fy2007_amendment/FY2008_Global_War_On_Terror_Request/FY_2007_MRAP_Budget_Amendment_DoD_portion.pdf]; hereinafter, DOD, *MRAP Amendment*; and DOD, *FY2008 Global War on Terror Amendment*, October 2007; hereinafter, DOD, *October Amendment*;

[http://www.defenselink.mil/comptroller/defbudget/fy2008/Supplemental/FY2008_October_Global_War_On_Terror_Amendment.pdf].

⁸ DOD, *FY2008 GWOT Request*, p. 74.

transfers from DOD's regular funds to finance unanticipated costs. CRS and CBO estimates of war funding are fairly close.⁹

CRS uses previous spending trends as a guide to estimate the allocation of funds still to be spent or unreported. CRS has also compiled the funds allocated to Iraq and Afghanistan for foreign and diplomatic operations and for VA medical costs for OIF/OEF veterans (see **Table 1, Table 2, and Table 3**).

Funding for Each Operation. According to CRS estimates, Congress has appropriated about \$609 billion in budget authority (BA) through the FY2007 Supplemental for Iraq, Afghanistan and enhanced security for DOD, the State Department and for medical costs paid by the Department of Veterans' Affairs. Based on these estimates, that total includes about

- \$449 billion for Iraq (75%),
- \$127 billion for Afghanistan and other counter terrorism operations (20%),
- \$28 billion for enhanced security (5%), and
- \$5 billion that CRS cannot allocate (see **Table 1 and Table 2**).

The Administration has requested an additional \$195.3 billion for FY2008 for Iraq and Afghanistan in its regular baseline requests and emergency supplemental requests submitted in February, July and October 2007. This total excludes emergency requests for other than Iraq and Afghanistan. Table 1 below shows the CRS allocations of the FY2008 requests based on DOD and other data:

- \$158 billion for Iraq;
- \$37 billion for Afghanistan; and
- \$400 million for enhanced security.

Congress has already appropriated \$16.8 billion of the FY2008 request for Mine Resistant Ambush Protected (MRAP) vehicles, a truck with a V-shaped hull expected to be more effective against Improvised Explosive Devices (IEDs) than uparmored HMMWVs as part of the first Continuing Resolution (Sec. 123, P.L. 110-92) and the recently-passed FY2008 DOD Appropriations Act (H.R. 3222).

⁹ DOD does not appear to include about \$7 billion appropriated in the FY2003 regular act for GWOT or transfers of funds from DOD's regular budget to GWOT after enactment that are approved by the congressional defense committees. At the same time, DOD justification material for its FY2007 and FY2008 war requests shows that budget authority for war fell \$2 billion short in FY2001 and \$4 billion short in FY2004 — a gap presumably met by transferring funds from its regular appropriations. CRS added \$2 billion to its estimates to reflect these funds. CBO's estimates of war costs are about \$4 billion lower than CRS because it includes fewer transfers; see CBO, Letter to Senator Conrad, "Estimated Funding for Operations in Iraq and the Global War on Terror," February 7; [<http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf>].

**Table 1. Estimated War-Related Funding by Operation:
FY2001-FY2008**

(CRS estimates in billions of dollars of budget authority)

Operation & Total	FY01 & FY02	FY03 ^a	FY04 ^b	FY05 ^b	FY06	FY07	Enacted: FY01-FY07 Supp. ^c	FY08 Req. ^d	Cum.: FY01-FY08 Req. ^d
Iraq	0.0	53.0	75.9	84.6	101.9	133.2	448.6	158.3	606.9
OEF	20.8	14.7	14.5	20.9	19.1	36.8	126.8	36.6	163.4
Enhanced Security	13.0	8.0	3.7	2.1	0.8	.4	28.0	0.4	28.4
Unallocated	0.0	5.5	0.0	0.0	0.0	0	5.5	0.0	5.5
TOTAL	33.8	81.1	94.1	107.6	121.8	170.4	608.8	195.3	804.2
Annual Change	NA	140%	16%	14%	14%	41%	NA	15%	NA
Change Since FY03	NA	NA	16%	33%	50%	110%	NA	141%	NA

Notes and Sources: NA= Not Applicable. Numbers may not add due to rounding. Revised CRS estimates reflect Defense Finance Accounting Service, *Cost of War Execution Reports* through March 2007 and DOD estimates by operation in DOD, *FY2007 Emergency Supplemental Request for the Global War on Terror*, February 2007, p. 93 and other data; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf]. See **Table A1** for appropriations by public law and transfers. For a further breakdown of agency spending by operation, see **Table 3**.

- a. Includes \$5.5 billion of \$7.1 billion appropriated in DOD's FY2003 Appropriations Act (P.L. 107-48) for the global war on terror that CRS cannot allocate and DOD cannot track.
- b. Of the \$25 billion provided in Title IX of the FY2005 DOD appropriations bill, CRS included \$2 billion in FY2004 when it was obligated and the remaining \$23 billion in FY2005. Because Congress made the funds available in FY2004, CBO and OMB score all \$25 billion in FY2004.
- c. Includes funds in the FY2007 Supplemental (H.R. 2206/P.L.110-28), Title IX, P.L. 109-289, FY2007 DOD Appropriations Act (H.R. 5631) designated for war and funds for other agencies in H.J. Res 20, P.L. 110-50, the year-long Continuing Resolution. VA Medical estimates reflect VA FY2008 budget materials and CRS estimates. Amounts for foreign and diplomatic operations reflects State Department figures.
- d. In the FY2008 request, CRS includes an estimate for enhanced security (\$390 million) funded in DOD's baseline, along with the cost of Iraq and Afghanistan to be consistent with previous years.

Funding for Each Agency. Of the \$609 billion enacted thus far, about \$567 billion, the lion's share or over 90% goes to the Department of Defense. DOD regulations require that the services request *incremental* war costs, in other words, costs that are in addition to regular military salaries, training and support activities, and weapons procurement, RDT&E or military construction.

For military personnel, incremental costs cover hostile fire or other combat-related special pays and the cost of activating reservists and paying them on a full-time basis. For operations and maintenance, war costs cover the cost of transporting troops and equipment to the war zone, conducting war operations, and supporting deployed troops, as well as repairing and replacing equipment worn out by war operations.

**Table 2. Estimated War-Related Funding by Agency:
FY2001- FY2008**

(CRS estimates in billions of dollars of budget authority)

by Agency & Total	FY01 & FY02	FY03	FY04	FY05	FY06	FY07	Total Enacted Thru FY07 Supp.	FY08 Req.	Cum.: FY01- FY08 Request
DOD	33.0	77.4	72.4	102.6	117.2	164.4	567.0	188.5	755.6
State/AID	0.8	3.7	21.7	4.8	4.3	5.0	40.3	6.0	46.3
VA	0.0	0.0	0.0	0.2	0.4	1.0	1.6	.8	2.3
TOTAL	33.8	81.1	94.1	107.6	121.8	170.4	608.9	195.3	804.2

Sources: Public laws, congressional appropriations reports, and CRS estimates; see also **Table 1** and **Table 3**.

Through FY2007, the State Department and USAID together have received about \$40 billion for reconstruction, embassy operations and construction, and various foreign aid programs for Iraq and Afghanistan. The Veterans Administration has received about \$1.6 billion for medical care for veterans of these operations.¹⁰

FY2007 Supplemental and FY2008 War Cost Requests

In FY2007, Congress provided \$164 billion in DOD war funds in the FY2007 Supplemental on May 25, 2007 (H.R. 2206/P.L. 110-28) and a bridge fund for Iraq and Afghanistan that Congress included in DOD's regular FY2007 appropriations act (P.L. 109-289) to cover the gap between the beginning of the fiscal year and passage of the supplemental.¹¹ The FY2007 funding for DOD is more than 40% above FY2006 and 50% higher than the \$110 billion projected by OMB last summer.¹²

As in previous years, Congress was under considerable pressure from DOD to pass the FY2007 supplemental quickly in order to ensure that the Army would have enough funds for both its wartime and peacetime operations. The FY2006 Supplemental was enacted in mid-June 2006, which the Army said would create

¹⁰ This includes an estimate of the funding likely to be received by the State Department and the VA under H.J.Res 20, P.L. 110-5, the FY2007 Continuing Resolution. Those agencies will have discretion to allocate funds for Iraq and Afghanistan needs. Foreign operations activities are managed by both the State Department and USAID, which handles most U.S. development assistance programs.

¹¹ For additional information about the FY2007 Supplemental, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et. al. Department of Defense Press Release, "President Bush's FY2008 Defense Submission," February 5, 2007.

¹² See OMB, *Fiscal Year 2007 Mid-Session Review*, p. 6; [<http://www.whitehouse.gov/omb/budget/fy2007/pdf/07msr.pdf>].

disruptions. Initially, the Army claimed that the supplemental needed to be enacted by the end of this April to avoid such problems.¹³

While awaiting the supplemental, the Army adopted a series of restrictions to slow non-war-related activities that would not affect readiness to conserve funding, projecting that \$3.6 billion could temporarily be saved and used to fund war needs. Based on DOD data, CRS and the Army estimated that the Army had sufficient funds to last through June 2007. The supplemental was enacted on May 25, 2007.¹⁴

The “Surge” in Troops and Naval Presence. The FY2007 Supplemental included funding for the President’s proposal announced on January 10, 2007 to increase troops in Iraq by five combat brigades or about 21,500 personnel to establish security in Baghdad and Anbar province and to heighten naval presence in the Gulf by deploying an additional carrier and extending one Marine Expeditionary Group “as a gesture of support to our friends and allies in the area who were becoming very worried about Iran’s aggressiveness” according to Secretary of Defense Gates.¹⁵

Before funds were enacted, DOD tapped funds for other activities to cover the cost of deploying the additional troops. Unless Congress enacts specific restrictions, the President can use currently available DOD funds to conduct military operations as he sees fit because funds for DOD are appropriated for particular types of expenses (e.g., military personnel costs) rather than designated for particular operations. With enactment of the supplemental, DOD restored funds for other activities that were temporarily tapped to fund the “surge.”

As passed, the FY2007 Supplemental included about \$5.6 billion to cover the surge plus an additional \$1 billion for support troops to cover the cost of additional support troops¹⁶ DOD’s October amendment to its FY2008 supplemental includes an additional \$6.5 billion to continue the surge, with a return to pre-surge levels by May or June of 2008.

FY2008 War Request. In February 2007, DOD submitted both a baseline FY2008 budget request of \$481.4 billion and a separate emergency request for war costs for \$141.7 billion for war costs. That request satisfies a requirement in the FY2007 National Defense Authorization Act and reflects a long-simmering

¹³ Army Budget Office, “OMA FY07 Spending Projections,” February 5, 2007.

¹⁴ Army Briefing, April 2007. See the section titled, “Financing Army Operations Until Passage of the Supplemental,” in CRS Report RL33900, for more details.

¹⁵ House Armed Services Committee, transcript of hearing on “Fiscal 2008 Budget: Defense Department,” February 7, 2007, p. 45.

¹⁶ DOD revised its request to include support troops after CBO estimated that additional funds would be needed; see CBO, Cost Estimate for Troop Increase Proposed by the president, 2-1-07 [<http://www.cbo.gov/ftpdocs/77xx/doc7778/TroopIncrease.pdf>]. DOD, FY2007 Supplemental, p. 83; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf]

congressional concern about the limited visibility for war costs because funds are provided primarily in supplementals.¹⁷

On July 31, 2007, the Administration requested an additional war request for \$5.2 billion for Mine Resistant Ambush Protected vehicles, which Congress provided in the first Continuing Resolution (P.L. 110-92). On October 22, 2007, the Administration requested an additional \$42.5 billion for DOD, primarily for more procurement, as well as funding to cover the cost of the surge. For the years beyond FY2008, the Administration includes a placeholder figure of \$50 billion in FY2009 and no funds in later years.¹⁸

Key War Cost Questions

This report is designed to answer the frequently asked questions below as well as to address the major war cost issues likely to be faced in the 110th Congress.

- How much has Congress appropriated for each of the three missions since the 9/11 attacks — Operation Iraqi Freedom (Iraq), Operation Enduring Freedom (Afghanistan and other Global War on Terror operations), and Operation Noble Eagle (enhanced security for defense bases) for defense, foreign operations, and related VA medical care?
- How and why have average monthly DOD obligations changed over time for each mission?
- What are potential future spending levels under various scenarios ranging from an increase in troop levels to a withdrawal of forces?
- What is appropriately considered a war-related procurement cost — replacements of war losses, replacements for “stressed” equipment, upgrades, and new requirements and how urgent are DOD’s requirements?

This report provides CRS estimates of the amount appropriated for each of the three missions to date, average obligations per month, and other measures of costs.

Potential War Cost Issues for the 110th Congress

In addition to debate about the surge or “plus-up,” the 110th Congress may face several other major war cost issues such as:

- how to ensure transparency in war costs;
- how to use congressional funding mechanisms to affect policy options for Iraq;

¹⁷ See Section 1008, *P.L. 109-364, FY2007 National Defense Authorization Act*.

¹⁸ Office of Management and Budget, *FY2008 Historical Tables*, Table 5.1.

- how to decide which DOD costs qualify as emergency war costs and which should be considered part of DOD's regular baseline budget, particularly for reconstitution or reset — the repair and replacement of war-worn equipment;
- how to judge and respond to readiness problems that stem from war operations; and
- how long can the Army finance war costs without a supplemental.

Grappling with these issues is more difficult because DOD has provided limited information about prior war costs making trends difficult to decipher and explanations unlikely to be available. GAO, CBO, and CRS have all raised concerns about these problems in reports and testimony. There are also many unresolved discrepancies and gaps in reported DOD figures.

War-related issues — primarily the effectiveness of the ongoing surge in troops and future troop levels — were joined during consideration of the FY2007 supplemental request. (See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.) As in previous years, there continues to be pressure to enact supplemental war funds quickly to minimize DOD's need to finance war costs with its baseline appropriations.

Trends in War Funding

The total cost for all three operations — Iraq, Afghanistan, and other GWOT and enhanced security — has risen steeply since the 9/11 attacks primarily because of higher DOD spending in Iraq. Annual war appropriations more than doubled from about \$34 billion in FY2001/FY2002 to about \$80 billion with the preparation for and invasion of Iraq in FY2003 (see **Table 1 and Table 3**). Based on passage of the FY2007 Supplemental, annual DOD funding will more than double between FY2004 and FY2007.

Table 3 estimates the breakdown of war-related funds for each operation and each agency by fiscal year. DOD's funding covers not only operational costs but also replacing and upgrading military equipment, converting units to new modular configuration, training Afghan and Iraqi security forces, providing support to allies and enhanced security at DOD bases. Such investment funding has grown steeply in recent years (see **Table 5**). Foreign and diplomatic operations cover the cost of reconstruction, building and operating embassies in Iraq and Afghanistan and various foreign aid programs.

**Table 3. Budget Authority for Iraq, Afghanistan, and Other
Global War on Terror (GWOT) Operations:
FY2001-FY2008**

(CRS estimates in billions of budget authority)

Operation and Funding Source	FY 01 & FY 02^a	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	Cum. Enact ed thru FY07 Supp.	FY 08 Req.	Cum: FY01- FY08 Req.
OPERATION IRAQI FREEDOM (OIF)^b										
Department of Defense	0	0	50.0	56.4	82.5	98.4	129.1	416.4	153.8	570.2
Foreign Aid and Diplomatic Ops ^c	0	0	3.0	19.5	2.0	3.2	3.2	30.8	3.8	34.6
VA medical ^d	0	0	0	0	0.2	0.4	0.9	1.5	0.7	2.1
Total: Iraq	0.0	0.0	53.0	75.9	84.7	101.9	133.2	448.6	158.3	606.9
OPERATION ENDURING FREEDOM (OEF)/Afghanistan and GWOT										
Department of Defense	9.0	11.0	14.0	12.4	18.1	18.0	34.8	117.2	34.3	151.5
Foreign Aid and Diplomatic Ops ^c	0.3	0.5	0.7	2.2	2.8	1.1	1.9	9.5	2.2	11.7
VA Medical ^d	0	0	0	0	0	0.0	0.1	0.1	1.0	0.2
Total: OEF	9.3	11.5	14.7	14.5	20.9	19.1	36.8	126.8	36.6	163.4
Enhanced Security (Operation Noble Eagle)										
Department of Defense	7.0	6.0	8.0	3.7	2.1	0.8	0.4	28.0	0.4	28.4
Total: Enhanced Security^e	7.0	6.0	8.0	3.7	2.1	0.8	0.4	28.0	0.4	28.4
DOD Unallocated	0.0	0.0	5.5	0.0	0.0	0.0	0.0	5.5	0.0	5.5
ALL MISSIONS										
Department of Defense	16.0	17.0	77.4	72.4	102.6	117.2	164.4	567.0	188.5	755.6
Foreign Aid and Diplomatic Operations ^d	0.3	0.5	3.7	21.7	4.8	4.3	5.0	40.3	6.0	46.3
VA Medical ^d	0	0	0	0	0.2	0.4	1.0	1.6	0.8	2.3
Total: All Missions	16.3	17.5	81.1	94.1	107.6	121.8	170.4	608.9	195.3	804.2

Notes and Sources: Numbers may not add due to rounding. Because DOD has not provided a breakdown by operation for all appropriations received, CRS estimates unobligated budget authority using past trends as shown in DOD's Defense Finance Accounting Service (DFAS) reports, *Supplemental & Cost of War Execution Reports* and other budget justification materials including DOD, *FY2007 Supp*, February 2007, Table 1a.; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf]; DOD, FY2008 Supplemental Requests, February, July, and October 2007. CRS budget authority (BA) totals are higher than DOD figures because CRS includes all funding provided in supplementals, bridge funds or baseline appropriations for Iraq and the Global war on Terror as well as transfers from DOD's baseline funds for GWOT requirements, and enhanced security. CRS also splits the \$25 billion provided in the FY2005 Title IX bridge between the \$1.8 billion obligated in FY2004 and the remainder available for FY2005; all those funds are scored as FY2004 because they were available upon enactment in August 2005. Figures include funds provided in P.L. 107-38, the first emergency supplemental after 9/11, and funds allocated in P.L. 107-117.

Foreign operations figures were prepared with the help of CRS analysts Larry Nowels, Connie Veillette, and Curt Tarnoff.

- a. CRS combined funds for FY2001 and FY2002 because most were obligated in FY2002 after the 9/11 attacks at the end of FY2001.
- b. DOD's new estimate for Iraq shows BA from FY2003 as \$48 billion, \$2 billion higher than reported by DFAS without identifying a source for these funds.
- c. Foreign operations figures include monies for reconstruction, development and humanitarian aid, embassy operations, counter narcotics, initial training of the Afghan and Iraqi army, foreign military sales credits, and Economic Support Funds. For FY2007, CRS estimates reflect request; the State Department can set country levels under the FY2007 Continuing Resolution, HJ Res 20/P.L. 110-5.
- d. Medical estimates reflect figures in VA's FY2008 budget justifications.
- e. Known as Operation Noble Eagle, these funds provide higher security at DOD bases, support combat air patrol, and rebuilt the Pentagon.

Over 90% of DOD's funds were provided as emergency funds in supplemental or additional appropriations; the remainder were provided in regular defense bills or in transfers from regular appropriations.¹⁹ Emergency funding is exempt from ceilings applying to discretionary spending in Congress's annual budget resolutions.²⁰ Some Members have argued that continuing to fund ongoing operations in supplementals reduces congressional oversight. Generally, much of foreign and diplomatic funding has been funded in regular rather than emergency appropriations.²¹

Estimates for Iraq and Afghanistan and Other Operations

How much has Congress provided for each of the three operations launched since the 9/11 attacks — Iraq, Afghanistan and other GWOT, and enhanced security? Using a variety of sources and methods, CRS estimated the distribution of war-related funds appropriated for defense, foreign operations, and VA medical costs from the 9/11 attacks through the FY2006 supplemental request (see **Table 3**). With passage of the FY2007 bridge fund (H.R. 5631/P.L. 109-289), CRS estimates that war-related appropriations enacted to date total about \$609 billion through FY2007. These funds are allocated as follows

- \$449 billion for Iraq (or 74%);
- \$127 billion for Afghanistan (or 20%);
- \$28 billion for enhanced security (5%); and
- \$5 billion unallocated (1%) (see **Table 3**).

¹⁹ These funds were characterized as "additional appropriations," and put in a separate title of DOD's regular appropriation bill in FY2005, FY2006, and FY2007. For discussion of using regular vs. supplemental appropriations for war funding, see CRS Report RS22455, *Military Operations: Precedents For Funding Contingency Operations in Regular or in Supplemental Appropriations Bills*, by Stephen Daggett.

²⁰ The FY2005 and FY2006 budget resolutions exempted up to \$50 billion in overseas contingency operations funds from budget controls (see Section 403, H.Con.Res. 95 (FY2005) and Sec. 402, S.Con.Res. 95 (FY2006)). Congress did not pass a budget resolution in FY2007.

²¹ The exception is FY2004 when Congress appropriated \$20 billion for reconstruction in the supplemental.

In addition, Congress provided \$16.8 billion for MRAP vehicles in the FY2008 Continuing Resolution and the FY2008 DOD Appropriations bill (H.R. 3222).

Since the FY2003 invasion, DOD's war costs have been dominated by Iraq. Costs for OEF have risen in recent years as troop levels and the intensity of conflict have grown. The cost of enhanced security in the United States has fallen off from the earlier years which included initial responses to the 9/11 attacks. Foreign operations costs peaked in FY2004 with the \$20 billion appropriated for Iraq and Afghan reconstruction and then run about \$3 billion to \$4 billion a year.

Although some of the factors behind the rapid increase in DOD funding are known — the growing intensity of operations, additional force protection gear and equipment, substantial upgrades of equipment, converting units to modular configurations, and new funding to train and equip Iraqi security forces — these elements are not enough to explain the size of the increases. Until this year, DOD has provided little explanation in its requests.

The FY2007 DOD Emergency Request and the FY2008 Global War on Terror (GWOT) request provide more justification material than previously. In FY2009, the Administration includes a \$50 billion placeholder figure for war costs and no funds in later years.

CBO Projections of Future Costs. Based on two illustrative scenarios assuming a more and less gradual drawdown in deployed troop levels, CBO estimated the cost of all three operations for the next ten years from 2008 - 2017. CBO projects that over the next ten years war costs for DOD, State, and VA could total

- \$570 billion if troop levels fell to 30,000 by 2010; or
- \$1,055 billion if troop levels fell to 75,000 by 2013.²²

This CBO estimate does not split funding for Iraq and Afghanistan. If these CBO estimates are added to funding already appropriated, CBO projects that the cost of both Iraq, Afghanistan, and enhanced security could reach from \$1.2 trillion to \$1.7 trillion by 2017 if troops fell to 30,000 or 75,000 respectively.²³

CBO stated that future costs were difficult to estimate because DOD has provided little detailed information on costs incurred to date, and does not report outlays, or actual expenditures for war because war and baseline funds are mixed in the same accounts. Nor is information available on many of the key factors that determine costs such as personnel levels or the pace of operations.²⁴

²² Table 1 CBO, Statement of Peter Orszag, Director, before House Budget Committee, "Estimated Cost of U.S. Operations in Iraq and Afghanistan and Other Activities Related to the War on Terrorism," October 24, 2007; [http://www.cbo.gov/ftpdocs/86xx/doc8690/10-24-CostOfWar_Testimony.pdf].

²³ *Ibid*, p.1.

²⁴ CRS adjusted the CBO estimates by subtracting \$70 billion for the additional funding (continued...)

Both CBO scenarios assume a gradual drawdown in forces over the next ten years. The Administration has not provided any long-term estimates of costs despite a statutory reporting requirement that the President submit a cost estimate for FY2006-FY2011 that was enacted in 2004.²⁵

Past Trends and Future Costs in Iraq. *How has funding for Iraq changed over time and what is the outlook for the future?* CRS estimates that Iraq will receive funding totaling about \$450 billion as of funds appropriated through the FY2007 Supplemental (H.R. 2206/P.L.110-28). War costs in Iraq have risen sharply from initial funding to deploy troops starting in the fall of 2002 (presumably drawn from DOD's regular appropriations since supplemental funds were not available) to \$50 billion in the invasions year of 2003 to about \$135 billion for FY2007.

Projections of Future Iraq Costs. The total for Iraq in FY2007 is about one-third higher than the previous year and almost three times the first year (see **Table 1** and **Table 2**).²⁶ The amended FY2008 DOD war request includes \$158 billion for Iraq, about \$25 billion more than in FY2007 reflecting primarily higher procurement funding.

A Gradual Withdrawal Option. In response to a request last summer, CBO estimated the cost of two alternative scenarios for Iraq for FY2007-FY2016 if all troop levels were to be removed by the end of 2009 or if the number of deployed troops fell to 40,000 by 2010. Adjusting CBO's estimates for passage of the FY2007 Supplemental, a withdrawal by FY2009 could cost an additional \$147 billion while a reduction to 40,000 troops by 2010 could cost an additional \$318 billion.²⁷ CBO has not estimated the cost of a more immediate withdrawal.

Maintaining a Long-Term Presence. CBO has also estimated that the annual cost of maintaining about 55,000 troops in Iraq over the long-term — referred

²⁴ (...continued)

assumed by CBO for FY2007; see Letter to Chair, Senate Budget Committee, Kent Conrad, "Summarizing and projecting funding for Iraq and GWOT under two scenarios," February 7, 2007, Table 1 and p.2 - p.3; [<http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf>]. See also, CBO, Statement of Robert A. Sunshine, Assistant Director, before the House Budget Committee, "Issues in Budgeting for Operations in Iraq and the War on Terrorism," January 18, 2007.

²⁵ Sec. 9012 required that the president submit an estimate for FY2006-FY2011 unless he submitted a written certification that national security reasons made that impossible; the Administration did not submit a waiver but then-OMB Director, Joshua B. Bolten sent a letter on May 13, 2005 to Speaker of the House J. Dennis Hastert saying that an estimate was not possible because there were too many uncertainties.

²⁶ CRS estimates the allocation of about \$9 billion in funding requested in the FY2007 Supplemental for classified programs and for baseline fuel that DOD does not include for either OIF or OEF.

²⁷ CBO, Letter to Congressman John M. Spratt, Jr, "Estimated funding for two specified scenarios for Iraq over the period 2007-2016," July 13, 2006, Table 1; [http://www.cbo.gov/ftpdocs/73xx/doc7393/07-13-IraqCost_Letter.pdf]. CRS adjusted CBO's estimate by subtracting the amount assumed for FY2007.

to as the Korea option — in Iraq would be about \$10 billion in a non-combat scenario and \$25 billion with combat operations.²⁸ CBO's projections of costs assumes only minimal procurement costs for replacing or upgrading war-worn equipment unlike DOD's recent and current war requests.

Past Trends and Future Costs in Operation Enduring Freedom. *How has funding for Afghanistan and other Global War on Terror Operations changed over time and what does the future hold?* As of enactment of the FY2007 Supplemental, Afghanistan has received about \$127 billion in appropriations for DOD, foreign and diplomatic operations, and VA medical. In recent years, funding for Afghanistan was about \$20 billion annually but is slated to jump by 75% to about \$37 billion in FY2007. Funding requested for FY2008 matches the FY2007 level (see **Table 1.**)

Increases in previous years reflect higher troop levels, the cost to train Afghan forces, and part of the cost of upgrading and replacing equipment and converting Army and Marine Corps units to a new modular configuration. Some of the \$17 billion increase in the FY2007 supplemental reflects a \$5.5 billion increase in funds to equip and train Afghan security forces (\$1.9 billion in FY2006 to \$7.4 billion in FY2007), and \$510 million for the 7,200 additional troops. The reasons for the rest of the increase are not clear.

Past Trends and Future Costs in Enhanced Security. *How has the cost of Operation Noble Eagle or enhanced security for DOD bases changed since 9/11?* Funding for enhanced base security and other responses to the initial attacks fell from the \$12 billion available in the first year after the attacks to \$8 billion in 2003. These decreases reflect the end of one-time costs like Pentagon reconstruction (\$1.3 billion), the completion of security upgrades, the scaling back of combat air patrol (about \$1.3 billion for around-the-clock coverage), and a cut in the number of reservists guarding bases.²⁹ In FY2004, the cost of enhanced security more than halved again, dropping to \$3.7 billion.

Beginning in FY2005, DOD funded this operation in its baseline budget rather than in supplementals and costs fell to under \$1 billion in FY2006 and \$400 million in FY2007, a level CRS projects for FY2008 as well (See **Table 3**). The services are now requesting funds for base security in the United States as a war cost in the FY2007 and FY2008 Supplemental, which could overlap with the enhanced security mission.

²⁸ CBO, Letter to Congressman Spratt on Long-Term Presence in Iraq, 9-20-07 [<http://www.cbo.gov/ftpdocs/86xx/doc8641/09-20-ConradLTpresenceinIraq.pdf>].

²⁹ DOD's new estimate for ONE is \$8 billion rather than the \$6.5 billion shown in an earlier DOD briefing. For more information, see CRS Report RL31187, *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations*, and CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*, both by Amy Belasco and Larry Nowels.

DOD Spending Thus Far

Average monthly obligations are frequently used as a way to measure the rate of ongoing war spending. As of August 2007, DOD estimated that the cumulative total of war-related obligations is \$470.6 billion. DOD figures show average monthly obligations of about \$11.0 billion including \$9.2 billion for Iraq, \$1.5 billion for Afghanistan, and \$30 million for enhanced security. (see **Table 4** below).

Although these figures capture DOD's contractual obligations for pay, goods, and services, they do not give a complete picture because they do not capture all appropriated funds or all funds obligated. DOD acknowledges that these figures do not capture over \$30 billion in classified activities. According to DOD, other funds which DOD does not consider to be war-related — such as for Congressional adds for equipment for the National Guard and Reserve, force protection, and more C-17 aircraft — also will not be captured in Defense Finance Accounting Service (DFAS) reports because the services will treat these as part of DOD's regular programs.³⁰

Table 4 below shows CRS estimates of obligations rates after adjusting DOD accounting reports to add classified and other unreported war-related activities through August 2007.³¹ These estimates show FY2007 obligations running \$11.4 billion per month on average including:

- \$9.6 billion for Iraq;
- \$1.8 billion for Afghanistan; and
- \$30 million for enhanced security.

Average obligations are a good indicator of ongoing operational costs because these funds must be obligated — put in contract — within the first year. For investment costs, however, average monthly obligations lag appropriated budget authority since only some funds are obligated in the first year because of the time for the planning and negotiation of contracts.

³⁰ Communication with DOD Comptroller staff, October 2007 and Table 1a in DOD, *FY2008 Global War on Terror Amendment*, October 2007, for total for non-DOD intelligence and non-GWOT;
[http://www.defenselink.mil/comptroller/defbudget/fy2008/Supplemental/FY2008_October_Global_War_On_Terror_Amendment.pdf].

³¹ Averages correct for monthly fluctuations which may reflect when individual contracts are signed. Operational costs include working capital funds, defense health, and counterdrug monies and investment costs include procurement, RDT&E and military construction.

Table 4. DOD's Obligations by Operation: FY2001-August 2007
(in billions of dollars)

	Average monthly obligation as of August 2007						DOD Reported Cum. Obs from FY01-Aug. 07
Mission and type of spending	FY03	FY04	FY05	FY06	FY07 DFAS Rpted	FY07 adj.	
Operation Iraqi Freedom							
Operations ^b	4.2	4.3	4.7	5.9	6.3	6.6	NA
Investment ^c	0.2	0.6	1.8	1.3	2.9	3.0	NA
Total	4.4	4.8	6.5	7.2	9.2	9.6	360.7
Afghanistan and the Global War on Terror ^d							
Operations ^b	1.1	0.9	0.9	1.2	1.4	1.7	NA
Investment ^c	0.2	0.1	0.2	0.2	0.0	0.1	NA
Total	1.3	1.0	1.1	1.4	1.5	1.8	82.3
Enhanced security and other ^e							
Operations ^b	0.5	0.3	0.2	0.1	0.0	0.0	NA
Investment ^c	0.0	0.0	0.0	0.0	0.0	0.0	NA
Total	0.5	0.3	0.2	0.1	0.0	0.0	27.6
All missions							
Operations ^b	5.8	5.5	5.8	7.2	7.8	8.3	NA
Investment ^c	0.4	0.7	2.0	1.5	2.9	3.1	NA
Total	6.2	6.2	7.7	8.7	10.7	11.4	470.6

Notes: NA = Not available. Numbers may not add due to rounding. Estimates reflect Defense Finance Accounting Service (DFAS) reported obligations through August 2007 almost the end of the fiscal year.

- a. Figures for FY2003-FY2006 reflect CRS calculations based on DFAS reports with estimated adjustments for funds excluded by DFAS such as intelligence and Congressional additions.
- b. Includes funds appropriated for military personnel, operation and maintenance, working capital, and defense health.
- c. Includes funds appropriated for procurement, RDT&E, and military construction.
- d. Operation Enduring Freedom funds Afghanistan and other global war on terror (GWOT) activities.
- e. 'Enhanced security and other' includes additional security at defense bases, combat air patrol around U.S. cities, and reconstruction of the Pentagon after the 9/11 attacks.

Obligations figures do not reflect outlays — or payments made when goods and services are delivered — which would be a better measure of spending rates and actual costs. DOD does not track outlays for its war costs because war-related appropriations are co-mingled with regular or baseline funds in the same accounts making it difficult to segregate the two. If DOD had separate accounts for war and peace costs, outlays could be tracked, which would capture the amount spent and give a better sense of actual spending rates.

Changes in Average Monthly Obligations. Based largely on DOD accounting reports, average monthly obligations grew from \$6.2 billion in FY2004 to \$11.4 billion in FY2007, an increase of 85% with a doubling of spending in Iraq. Monthly obligations for OEF hovered around \$1 billion a month but have recently grown to \$1.8 billion in FY2007.

More Procurement Increases Iraq Spending. In the case of Iraq, much of the increase reflects a five-fold increase in investment obligations — primarily procurement — as the services have begun to spend substantial amounts on reset — the procurement of new weapons systems and equipment not simply to replace not only war losses (a small share of the total) but more often to upgrade and replace “stressed” equipment and enhance force protection.

Some observers have questioned whether all of DOD’s war-related procurement reflects the stresses of war. For example, a recent CBO study found that more than 40% of the Army’s spending for reset — the repair and replacement of war-worn equipment — was not for replacing lost equipment or repairing equipment sent home. Instead, Army funds were spent to upgrade systems to increase capability, to buy equipment to eliminate longstanding shortfalls in inventory, to convert new units to a modular configuration, and to replace equipment stored overseas for contingencies.³²

Operating Costs Rise in Afghanistan. In the case of Afghanistan, spending rates are growing for operations for reasons that are not clear though troop levels have increased somewhat.

As of August 2007, obligations are running about \$11 billion a month with Iraq at \$8.6 billion and Afghanistan at \$1.4 billion.³³ As of March 31, 2007 — halfway through the fiscal year — these rates have increased to about \$10 billion for Iraq and \$1.9 billion for Afghanistan.

The monthly average for enhanced security (Operation Noble Eagle) has fallen substantially from \$520 million per month in FY2003 to less than \$100 million in FY2006 as one-time costs ended, and costs have been incorporated in day-to-day base operations.

Total Obligations to Date. DOD reports that of the \$470.6 billion in DFAS-reported obligations since FY2003:

- \$360.7 billion or 77% is for Iraq;
- \$82.3 billion or 17% is for Afghanistan and other GWOT; and
- \$27.6 billion or 6% is for enhanced security (see **Table 4**).

This does not include obligations for intelligence or other expenses that are included in CRS estimates but not captured by DOD’s DFAS reports.

Difficulties in Explaining DOD’s War Costs

What makes war costs change? Changes in war costs would be expected to vary with troops levels, war-related benefits, the intensity of operations, and levels of

³² CBO, *Replacing and Repairing Equipment Used In Iraq and Afghanistan: The Army’s Reset Program* by Frances M. Lussier, September 2007, p. ix, pp. 35-37; [<http://www.cbo.gov/showdoc.cfm?index=8629&sequence=0&from=7>].

³³ CRS estimates would be somewhat higher.

basing and support. The extent of competition in contracts and the price of oil would also be expected to affect the prices of goods and services purchased by DOD.

A list of the primary war cost drivers would be expected to include:

- the number of troops deployed or anticipated to deploy;
- changes in the pace of operations or optempo;
- changes in the amount of equipment and number of personnel to be transported to the theater of operations;
- whether support is designed to be temporary or longer-term;
- force protection needs;
- how quickly equipment breaks down and how quickly it is to be replaced or upgraded; and
- military basing plans that underlie construction requests.

Troop levels would be expected to be the basic underlying factor that determines the cost of military activities and support ranging from the number of miles driven by trucks (which, in turn, affects how quickly trucks break down), purchases of body armor (varying with the threat), or meals served and housing provided. Troop levels, however, have risen far less than costs.

Little of the \$93 billion DOD increase between FY2004 and FY2007 appears to reflect changes in the number of deployed personnel, which has grown by only 15% (see **Table 4**). Rather the increase is attributable to several factors:

- certain unanticipated requirements for force protection gear and equipment;
- the cost of training and equipping Afghan and Iraqi security forces; and
- even more, a broadened definition of the types of programs that DOD considers part of war reconstitution or reset — funds to repair and replace war-worn equipment.³⁴

Changes in Troop Strength. In testimony and supplemental requests, DOD typically cites the number of “boots on the ground” at a particular time to illustrate military personnel levels. For example, DOD figures show that there were about 139,000 troops in Iraq and 19,000 in Afghanistan or about 158,000 as of October 1, 2006.³⁵ Similar figures are cited by DOD witnesses in hearings.

This figure, however, does not include all troops in the region deployed for OIF or OEF operations or capture the annual average as troops rotate in and out of the theater during the year. Nor does it capture activated reservists in the United States who are training, backfilling for deployed troops, or supporting DOD’s enhanced

³⁴ See CRS, Statement of Amy Belasco before the House Budget Committee, Hearing on “The Rising Cost of the Iraq War,” October 24, 2007; [http://budget.house.gov/hearings/2007/10.24Belasco_testimony.pdf] Stat.

³⁵ DOD, Information Paper, “Congressional Research Service Request for Boots on the Ground (BOG) Statistics for Iraq and Afghanistan, January 1, 2007,” 1-2-07.

security (ONE) mission. For these reasons, “boots on the ground” figures understate the number of military personnel dedicated to these operations.

For example, in FY2006, average troop strength was some 319,000 for operations in Iraq, Afghanistan and other counter-terror operations or almost twice as high as “boots on the ground” figures. In its new supplemental request, DOD cites about 320,000 for its troop strength in FY2007, acknowledging the higher troop levels for the first time.³⁶

In FY2004, the first year of occupation, DOD figures show average troop strength for all three missions of 304,000. In its FY2007 Supplemental request, DOD projected a total of about 319,000 troops, a 5% increase since FY2004. Costs would more than double from \$72 billion in FY2004 to \$164 billion for FY2007 (see **Table 3**).

Some would argue that the average number of *deployed* troops dedicated to Iraq and GWOT operations would provide a better metric to explain war costs because those are the troops carrying out ongoing operations. Under this reasoning, reservists in the United States — whether training up or backfilling — are considered the support tail for deployed troops.

Between FY2004 and FY2006, average deployed troop strength increased from about 220,000 to 250,000 or by about 13% whereas funding levels increased by 60% (see **Table 5**). If the planned “plus-up” of about 35,000 troops increases average troop strength by roughly 10,000 (taking into account dips earlier in the year and the fact that additional troops would be in place for only part of the year), that would bring troop strength for FY2007 to about 260,000 or about 17% above FY2004. At the same time, DOD’s enacted funding for FY2007 is more than double the amount in FY2004. Changes in troop strength do not explain such increases. Defense Manpower Data Center does not show average troop strength data by operation.

³⁶ DOD, *FY2007 Emergency Supp*, p. 16. [http://dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf].

Table 5. Average Troop Strength for Iraq, Afghanistan and other Counter-Terror Operations and Enhanced Security in the United States

(in thousands)

by Service	FY01	FY02	FY03	FY04	FY05	FY06	Oct/Nov. 2006
Average Deployed	51	78	226	220	259	269	257
Army	8	17	110	144	167	176	162
Navy	29	30	42	25	29	32	37
Marine Corps	0	4	32	25	36	34	30
Air Force	15	27	41	26	27	27	27
Activated Reserves State-side^a	NA^b	47	87	84	64	49	46
All OIF/OEF/ONE Military Personnel	51	125	313	304	323	319	302

Note: Average strength computed by the Defense Manpower Data Center by totaling the number of days deployed for each service member in a year and then dividing that figure by the 365 days in the year.

a. Activated reservists in the United States are training up for deployments, backfilling the positions of deployed active-duty personnel, or providing enhanced security at U.S. installations.

b. Not available.

**Table 6. DOD's War Budget Authority by Title:
FY2004-FY2007 Enacted Supplemental**
(in billions of dollars)

Title	FY04	FY05	FY06	FY07
Military Personnel	17.8	19.7	16.7	18.8
Operation & Maintenance	42.0	47.9	60.0	75.0
Defense Health	0.7	1.0	1.2	3.0
Other Defense Programs ^a	0.1	0.2	0.2	0.4
Procurement	7.2	18.0	22.9	45.4
Research, Dev., Tstg. & Eval.	0.4	0.6	0.8	1.5
Working Capital Funds ^b	1.6	3.0	3.0	1.1
Military Construction	0.5	1.2	0.2	1.7
Subtotal: Regular Titles	70.3	91.7	105.1	146.9
Special Funds and Caps				
Iraqi Freedom Fund (IFF)	2.0	3.8	3.3	0.4
Afghan Sec. Forces Training Fd. ^c	0.0	1.3	1.9	7.4
Iraq Security Forces Training Fd ^c	[5.0]	5.7	3.0	5.5
Joint Improvised Explosive Device (IED) Defeat Fd ^d	0.0	0.0	3.3	4.4
Strategic Reserve Readiness Fd. ^d	0.0	0.0	0.0	1.6
Coalition Support Cap ^e	[1.2]	[1.2]	[.9]	[1.1]
Lift and sustain Cap ^f	[0]	[0]	[.4]	[.3]
Global lift and sustain Cap ^e	[0]	[0]	[0]	[0]
Global train and equip Cap ^e	[0]	[0]	[.1]	[0]
Cmdrs' Emerg.Response Cap ^e	[.2]	[.8]	[.9]	[1.0]
Special Transfer Authority Cap ^f	[3.0]	[3.0]	[4.5]	[3.5]
Subtotal: Special Funds	2.0	10.7	11.5	19.3
Dept. of Defense Total	72.3	102.4	116.7	166.2
Coast Guard Transfer	0.0	[.2]	[.1]	[.2]
Intell. Comm. Mgt Fund	0.0	0.3	0.2	0.1
Def. Nuclear Nonproliferation	0.0	0.0	0.0	0.1
Salaries & Expenses, FBI	0.0	0.0	0.0	0.1
Subtotal: Defense-Related^g	0.0	0.3	0.2	0.3
National Defense Total	72.3	102.6	116.8	166.5

Sources: CRS calculations based on H.Rept. 110-60, S.Rept. 110-37, H.Rept. 110-107, H.R. 1591 and H.R. 2206 as passed by both houses, and "additional explanatory materials in the *Congressional Record*, May 24, 2007, p. H.8506ff. submitted by Congressman Obey, Chair of the House Appropriations Committee.

Note: This table separates funds with special purposes such as the Afghan Security Forces Fund from the regular titles to better identify trends. For FY2007, request reflects amended FY2007 supplemental submission of March 9, 2007; see OMB, *Appendix: FY2008 Budget*, "Other Materials: FY2007 Supplemental and FY2008," February 5, 2007 for original request, p. 1143ff; [<http://www.whitehouse.gov/omb/budget/fy2008/pdf/appendix/sup.pdf>]. For amended request, see OMB, "Estimate No. 3," [http://www.whitehouse.gov/omb/budget/amendments/amendment_3_9_07.pdf]. Includes transfers from baseline accounts to war to meet unanticipated needs through FY2005.

a. "Other Defense Programs" includes counter drug and Office of Inspector General funds.

b. Working capital funds finance additional inventory for support items such as spare parts.

- c. Training Iraqi security forces was initially funded in the State Department [shown in brackets] but is now funded in DOD. The Afghan Army also received some State Department funds.
- d. The Joint IED Defeat Fund finances responses to IED attacks through transfers to procurement, RDT&E, and operation and maintenance programs. Initially, Congress appropriated \$1.4 billion for IED Defeat to the Iraq Freedom Fund and then appropriated \$1.9 billion to a separate new account, the Joint IED Defeat Fund. The \$3.3 billion total for FY2006 includes both amounts.
- e. Congress sets caps on different types of coalition support — reimbursements to allies conducting operations or logistical support for OIF and OEF, and lift, support, training and equipping of allies conducting other counter-terror operations. Congress also sets a cap on CERP, a program which permits military commanders to fund small-scale reconstruction projects in Iraq and Afghanistan.
- f. Congress sets the amount of transfer authority in each bill. The table includes amounts provided for both bridge and supplemental funds. Includes \$10.4 billion for Iraq Freedom Fund in FY2003 (deducting specified floors) plus \$2 billion in transfer authority.
- g. Defense-related programs are included in the national defense budget function.

Military personnel funding has hovered between \$16 billion and \$20 billion a year (see **Table 6**). About half of the \$16 billion for war-related military personnel is for the cost of full-time pay and benefits to the 150,000 reservists to 110,000 reservists who have been activated each year since FY2004, with the number falling in recent years.³⁷

Funds for war-related military personnel also include special war-related pay and benefits (e.g., hostile fire or imminent danger pay or survivors benefits) and “overstrength” or the additional active-duty personnel who have been recruited and retained to meet wartime needs above DOD’s pre-war strengths — 482,000 for the Army and 172,000 for the Marine Corps. “Overstrength” has been considered a war cost because DOD initially argued that the increases would be temporary but in the FY2007 Supplemental, the Defense Department requested that these increases be part of a permanent expansion of the Army and Marine Corps, an issue still to be resolved.

Since FY2004, DOD has reduced its reliance on reservists with the number activated falling from 151,000 in FY2004 to 113,000 in FY2006. Despite this 25% decrease, DFAS cost reports show a more modest 8% decrease in cost from \$8.8 billion to \$8.1 billion. It is not clear why cost figures are inconsistent with average troop levels but GAO has found various inconsistencies in DOD reporting of military personnel costs.³⁸

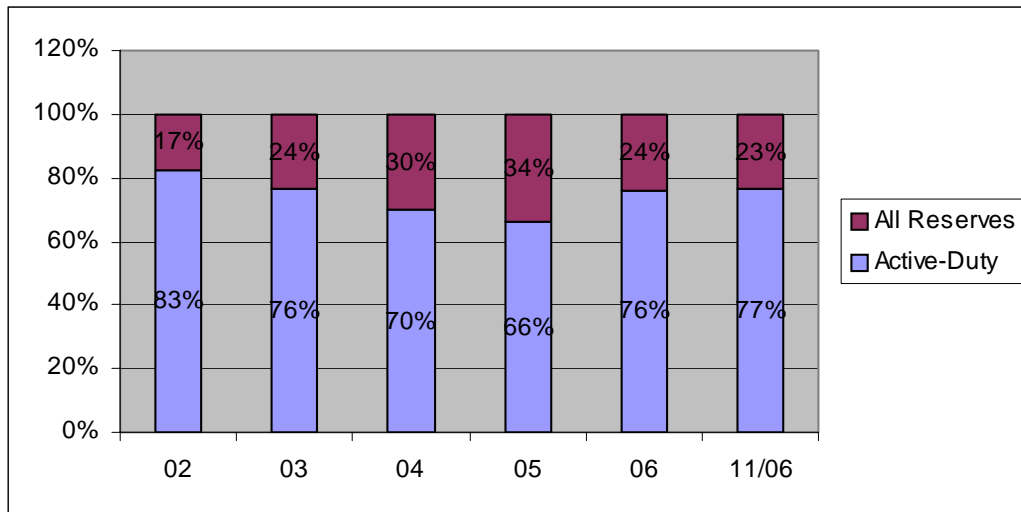
Reliance on Reservists Falls. Between FY2004 and FY2006, DOD reduced its reliance on reservists as their share of total personnel dedicated to war missions declined from 30% to 24% (see **Figure 1**). This change reflects the fact that some reservists have bumped up against a DOD-imposed policy set after the 9/11 attacks that limited their total deployment time to 24 months. Since reserve deployments were typically for 18 months — including time to train up — reservists were often available for only one deployment.

³⁷ Average annual strength for activated reservists from Defense Manpower Data Center, “Average Member Days Deployed by Service Component and Month/Year, 9/01 to 11/06.”

³⁸ GAO, *FY2004 Costs for Global War on Terrorism Will Exceed Supplemental*, July 2004 [<http://www.gao.gov/new.items/d04915.pdf>].

Secretary Gates recently changed this policy, setting call-ups for 12 rather than 18 months. The services could also exclude train up and demobilization time and make exceptions if necessary. The policy change also emphasizes activating units rather than individuals to improve morale and readiness.³⁹ This policy change is likely to make reservists available for two tours if necessary.

Figure 1. Active-Duty and Reserve Shares of OIF/OEF Average Annual Troop Levels, FY2003-Early FY2007



Notes and Sources: Includes all activated reservists whether deployed, preparing to deploy or serving in the United States. Data from Defense Manpower Data Center, Contingency Tracking System, “Average Member Days Deployed by Service Component and Month/Year,” November 2006. The Contingency Tracking System covers military personnel serving in Operation Iraqi Freedom, Operation Enduring Freedom, and Operation Noble Eagle.

Changes in Military Personnel Costs. As DOD reduces its reliance on activated reservists, war-related military personnel costs would be expected to fall because the incremental cost of active-duty personnel — special pays — is less than paying full-time salaries to reservists. Budget authority for military personnel dips in FY2006 but rises again in FY2007 (see **Table 6**). At the same time, military personnel costs increase as DOD “overstrength” or the number of personnel over the Army and Marine Corps pre-war levels — grows. Yet DFAS reports show a decline in funding for overstrength from \$2.0 billion in FY2005 to \$1 billion in FY2006, possibly a reporting error.⁴⁰ Although the Administration announced in January 2007 that these increases would be permanent in order to sustain higher deployments for the Global War on Terror, DOD requested the funds in the FY2007 supplemental as an unanticipated emergency expense.

³⁹ David S. C. Chu, Under Secretary of Defense for Personnel and Readiness, “Mobilization/Demobilization Personnel and Pay Policy for Reserve Component Members Ordered to Active Duty in Response to the World Trade Center and Pentagon Attacks,” September 20, 2001; and Robert M. Gates, Secretary of Defense, “Utilization of the Total Force,” January 19, 2007.

⁴⁰ DFAS, *Supplemental and Cost of War Execution Reports*, September 2005 and September 2006, “DoD Totals.”

Changes in Operating Costs. Even if troop strength remains the same, operational costs could grow if operating tempo intensifies, repair costs increase, or support costs grow. These factors appear to explain some but not all of the \$17 billion increase in operating costs from \$43 billion in FY2004 to \$60 billion in FY2006 (see **Table 6**). Based on DOD reporting of obligations, this increase reflects

- more body armor and other protective gear for troops (purchased with O&M funds), growth of \$1 billion to \$2 billion;
- the jump in oil prices and the rise in intensity of operations, growth of about \$4 billion;
- the coming due of maintenance bills as equipment wears out, growth of \$4 billion; and
- a \$2 billion increase in command, communications, control, computers and intelligence support.⁴¹

With the exception of force protection gear where congressional interest has been high, DOD has provided little explanation for these changes.

With enactment of the FY2007 Supplemental, operating costs will jump from \$60 billion in FY2006 to \$75 billion in FY2007 or by 25%. This increase reflects the Administration's surge in troop levels and naval presence (about \$5 billion), higher repair costs (\$3 billion), more force protection gear (about \$1 billion), a doubling in transportation costs for unspecified reasons (\$2 billion), increased LOGCAP contractor support (\$300 million), and higher operating tempo.⁴² These factors account for some but not all of the increase though the rationales for the changes are often not clear.

Changes in Investment Costs. Since FY2004, the rise in investment costs has been dramatic — about a sixfold increase from \$7.2 billion in FY2004 to \$45 billion in FY2007. Procurement almost doubles between FY2006 and FY2007. Investment costs include procurement, RDT&E and military construction. As a share of DOD war appropriations, investment monies grew from about 10% in FY2004 to about 20% in FY2006 and about 29% in FY2007. Since FY2003, DOD has received about \$93.5 billion in war-related procurement funds — about \$11 billion more than received by DOD in its regular baseline budget in FY2007 (see **Table 6**).⁴³

Again, some of the reasons for this upsurge in war-related investment costs are known:

- a push by both DOD and Congress to provide more force protection equipment and increase situational awareness (e.g., uparmored High

⁴¹ DFAS, *Supplemental and Cost of War Execution Reports*, September 2005 and September 2006, "DoD Totals."

⁴² Department of the Army, *Global War on Terrorism (GWOT)/Regional War on Terrorism (RWOT), FY2007 Supplemental Budget Estimate*, Volume 1, February 2007; [<http://www.asafm.army.mil/budget/fybm/fy08-09/sup/fy07/oma-v1.pdf>].

⁴³ DOD received \$80.9 billion for procurement in FY2006; see H.Rept. 109-676, p. 135.

Mobility Multipurpose Wheeled Vehicles (HMMWVs), radios, sensors);

- a decision to fund equipment for newly configured Army and Marine Corps units, known as modularity or restructuring;
- the growing bill to rebuild or replace damaged equipment, a process known as reset or reconstitution;
- extensive upgrading of equipment; and
- the building of more extensive infrastructure to support troops and equipment in and around Iraq and Afghanistan.

These reasons do not fully explain the scope of increases thus far or sort out whether the new requests are war-related emergencies rather than being part of ongoing modernization or transformation programs. DOD has provided little rationale or explanation for its requirements or changes in requirements for replacing war-worn equipment or extensive upgrades.

In some cases, requirements do not appear to be strictly related to war needs. For example, Congress included funds for C-17 aircraft in order to keep the production line open though its relationship to current war needs is tenuous. Congress also agreed to fund the cost of equipping newly configured Army and Marine Corps units — a pre-war initiative known as modularity or restructuring initiative — in the FY2005 and FY2006 supplemental (see section on reset below and CRS Report RL33900 on FY2007 Supplemental).

Typically, war funds do not include RDT&E or military construction because both activities take considerable time, and hence do not appear to meet an emergency criterion. In this respect, the Iraq and GWOT conflicts are breaking new ground. DOD is now receiving war funding for RDT&E in both specific programs and in the Joint IED Defeat Fund, a new account where DOD transfers funds after enactment with prior reporting to Congress.

In the FY2007 Supplemental, DOD is receiving an additional \$1.7 billion for military construction, almost doubling the previous peak in FY2005. Funding for military construction has been controversial for two reasons — concerns among some Members that construction indicates an intent to set up permanent bases in Iraq and construction funding in the United States that is part of proposed plans to increase the size of the force, and not clearly an emergency. Although DOD has not ruled out retaining bases in Iraq, current guidelines limit the use of concrete structures and emphasize building relocatable units and the FY2007 Supplemental continues a prohibition on spending funds to set up permanent bases in Iraq.

Special Funds and the Flexibility Issue. Since the 9/11 attacks, Congress has relied on a variety of special accounts that give DOD additional flexibility to respond to the uncertainty of wartime needs. Congress has also been more willing to approve higher levels of transfer authority which allow DOD to move funds into different accounts after enactment. The funding in these new accounts generally does not reflect troop levels or immediate operational needs.

Table 5 shows the funding provided in these flexible accounts including

- Afghan and Iraq Security Forces Funds for training and equipping police and security forces;
- the Joint Improvised Explosive Device (IED) Defeat Fund for providing funds to be transferred to procurement, RDT&E, or operation and maintenance to develop and field solutions to the IED threat;
- the Iraq Freedom Fund set up to cover war operations cost in the first year of the invasion and occupation (IFF);
- the Natural Resources Risk Remediation Fund set up to cover expected damage to Iraqi oil fields; and
- the Defense Emergency Response Fund (DERF).

Typically, Congress has given DOD latitude in how to use these funds and required after-the-fact quarterly reporting.

The Afghan and Iraq Security Forces Funds provide lump sums which DOD could then allocate between equipment and training needs. Similarly the Joint IED Defeat Fund allows DOD to decide where funds are needed to meet this threat. Although the new accounts are designated to meet particular goals, they are similar to funding flexibility given to DOD after the 9/11 attacks.

In the first two years after the 9/11 attacks, Congress gave DOD substantial leeway to move funds after enactment to meet war needs by appropriating funds to special accounts. Initially, DOD received \$17 billion in its Defense Emergency Response Fund (DERF), spending those funds in broadly defined allocations such as “increased situational awareness,” and “increased worldwide posture.”⁴⁴ In the FY2002 Supplemental, Congress appropriated \$13 billion for war costs including \$11.9 billion in the DERF, transformed into a transfer account, with guidelines set in the conference report.⁴⁵

In the FY2003 Supplemental, Congress appropriated a total of \$77.4 billion in war funding, including \$15.6 billion in a new Iraq Freedom Fund (IFF) where DOD could transfer funds after enactment and then report to Congress.⁴⁶ Since FY2004, Congress has appropriated most war funds to specific accounts but has given DOD larger amounts of transfer authority where DOD can move funds after enactment with the consent of the four congressional defense committees (see **Table 5**) as well as setting up new transfer accounts for specific purposes such as training Iraqi security forces.

Congress has also set caps or ceilings on funding within O&M accounts for specific purposes rather than set program limits. These include funding for

⁴⁴ Congress appropriated \$20 billion in the government-wide Emergency Response Fund which could be spent by the President at his discretion (P.L.107-38). DOD also received another \$3.5 billion in the DERF but had to follow allocations that were set in the FY2002 DOD Conference report (H.Rept. 107-350, p. 423).

⁴⁵ H.Rept. 107-593, p. 17 and 128.

⁴⁶ Congress rescinded \$3.5 billion of the \$15.6 billion originally appropriated to the IFF and included ceilings for certain purposes, such as intelligence, within the total.

- various types of coalition support which pays U.S. allies for their logistical support in counter-terror operations related to OIF and OEF or other counter-terror operations; and
- Commanders Emergency Response Program (CERP) for small reconstruction projects selected and run by individual commanders;

The issue for Congress is the amount of flexibility to give DOD to meet needs which it cannot define when appropriations are provided.

Average Cost Per Deployed Troop and Estimates of Future Costs

To give another window into trends and how changes in troop levels may affect costs, CRS estimated the average annual cost for each deployed troop — showing operational and investment costs separately. Because only some costs (e.g., for meals, body armor, operating tempo, and ammunition) are likely to vary in proportion with troop levels, the average cost per troop cannot be used to directly estimate the cost of alternate troop levels (see **Table 7**).

**Table 7. Average Annual Cost Per Deployed Troop:
FY2003-FY2006**

Average Troop Strength & Obligations	FY03	FY04	FY05	FY06	Change Since FY2003
Number of deployed troops ^a	225,800	219,600	258,800	269,300	19%
Average annual obligations in 000s of \$	\$320,000	\$340,000	\$350,000	\$390,000	22%
Operational costs ^b	\$300,000	\$300,000	\$270,000	\$325,000	8%
Investment costs ^c	\$20,000	\$40,000	\$80,000	\$65,000	225%

Notes and Sources: Numbers rounded. CRS calculations based on average deployed troop strength from the Defense Manpower Data Center (DMDC) and costs from Defense Finance Accounting Service, *Supplemental & Cost of War Execution Reports*, FY2003-FY2006 with CRS estimates of unreported expenses. DMDC troop strength does not separate Iraq and OEF.

- Does not include additional activated reservists who are training up for deployments, backfilling for active-duty personnel or providing additional security at bases. DMDC figures do not separate military personnel in OIF and OEF.
- Includes military personnel and operation and maintenance costs.
- Includes procurement, RDT&E, and military construction costs.

Some costs would rise or fall immediately as troops are withdrawn (e.g., meals served, fuel consumed, spare parts replaced), whereas other costs would change more slowly (e.g., utilities costs, building maintenance, equipment wear and tear). Still other costs would temporarily increase, such as transportation costs to ship personnel and equipment back to the United States. Over time, however, support costs would begin to change in proportion with personnel levels if higher troop levels persist or if troops are withdrawn.

Since FY2003, the estimated average cost per deployed troop has risen from about \$320,000 to \$390,000 per deployed troop.⁴⁷ While that increase reflects primarily more spending for procurement — for replacement and upgrading of equipment — operational costs have also grown (see **Table 7**).

Estimates of Future Costs. CBO developed two alternative paths for the future cost of the Global War on Terror — both Iraq and OEF — in its FY2008 budget outlook. Under the faster drawdown scenario, troop levels and costs would decline from current levels to 30,000 troops by FY2010. Concurrently, costs would decline from \$149 billion in FY2007 (lower than the \$166 billion enacted) to

- \$124 billion in FY2008;
- \$78 billion in FY2009;
- \$42 billion in FY2010;
- \$26 billion in FY2011; and
- \$20 billion each year from FY2012 through FY2017.

Under the more gradual drawdown scenario, troop levels would decline from current levels to 75,000 troops by FY2013. Costs would decline to

- \$144 billion in FY2008;
- \$133 billion in FY2009;
- \$112 billion in FY2010;
- \$91 billion in FY2011;
- \$71 billion in FY2012; and
- about \$58 billion a year for FY2013 through FY2017.⁴⁸

CBO did not estimate a more rapid withdrawal of troops.

Major War Cost Issues in the 110th Congress

Several issues may arise in congressional debate about war costs and the FY2007 Supplemental and the FY2008 war request:

- the issue of transparency in war costs;
- congressional mechanisms for affecting troop levels;
- defining reset and upgrade requirements; and
- readiness problems.

All these issues are made more difficult by the limitations, gaps and discrepancies in DOD information on war costs.

⁴⁷ CRS revised these costs because of better data on average deployed troop levels received recently from the Defense Manpower Data Center. Because this data does not segregate military personnel by OIF and OEF, CRS includes only one figure for both.

⁴⁸ See Table 1 in CBO, Letter to Senator Kent Conrad, “Estimated Funding for Operations in Iraq and the War on Terrorism,” February 7, 2007; [<http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf>].

Transparency Issues

Although DOD has testified frequently and submitted various reports on Iraq and the global war on terror, information and explanations of changes in the cost of OIF and OEF have been limited, incomplete, and sometimes inconsistent. Until the FY2007 Supplemental and FY2008 War Cost request, DOD submitted very little information to buttress its requests. Both the Iraq Study Group and CBO have criticized DOD's presentation of cost data for Iraq and the global war on terror.

The Iraq Study Group called the Administration's requests "confusing making it difficult for both the general public and members of Congress," to know, something that "should be a simple question" such as the amount requested for Iraq operations.⁴⁹ CBO pointed out that DOD's justification materials have been sparse — for example, DOD provided five pages to justify \$33 billion in operation and maintenance spending, about half of the FY2006 supplemental request.⁵⁰

Because few details are included, CBO notes the difficulty in determining the basis of DOD requests and estimating alternatives. And because appropriations for war are mixed with DOD's baseline budget, information about "what has actually been spent," or outlays is not available. That information is important for estimating the cost of alternate future scenarios and also for showing the effect of war costs on the federal deficit.⁵¹

Gaps and Discrepancies. CRS, CBO, and GAO have all found various discrepancies in DOD figures — including understating budget authority and obligations, mismatches between BA and obligations data, double-counting of some obligations, questionable figures, and a lack of information about basic factors that affect costs such as troop strength or operating tempo metrics.⁵²

For example, DOD does not count about \$7 billion from its FY2003 regular appropriations act that was intended for GWOT but that it cannot track. CRS and CBO both include these funds. In 2005, GAO also found that DOD planning documents included \$10 billion in each year for GWOT for the next five years that also cannot be identified.⁵³ It also appears that DOD used about \$2.5 billion from an

⁴⁹ James A. Baker, III, and Lee H. Hamilton, Co-Chairs, *The Iraq Study Group Report* (New York: Vintage Books) 2006, p. 91.

⁵⁰ Testimony of Robert A. Sunshine, CBO, before the House Budget Committee, January 18, 2007, p. 5.

⁵¹ *Ibid.*, p. 5 and p. 6. CBO has estimated war-related outlays, and presumably DOD and OMB do as well though separate outlays for war are not shown in the budget.

⁵² GAO, *FY2004 Costs for Global War on Terrorism Will Exceed Supplemental*, July 2004, at [<http://www.gao.gov/new.items/d04915.pdf>] ; GAO-05-882, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, September 2005; [<http://www.gao.gov/new.items/d05882.pdf>]; CBO, Testimony before the House Budget Committee, January 18, 2007.

⁵³ Government Accountability Office, *Global War on Terrorism: DoD Needs to Improve the* (continued...)

unidentified source (probably from DOD's baseline funds) to prepare for the invasion of Iraq in the summer and fall of 2002 before Congress approved the resolution approving the use of force in Iraq in October 2003.⁵⁴

Both CRS and CBO also include transfers from DOD's regular accounts to cover war costs.⁵⁵ DOD does not include transfers in the total for war appropriations of \$455 billion in its FY2007 Supplemental justification. At the same time, however, the figures in its justification show that obligations exceeded budget authority by \$2 billion in FY2001 and \$4 billion in FY2004, a gap presumably met through transfers from DOD's regular appropriations.⁵⁶

DOD's FY2007 justification also acknowledges that its reporting of obligations does not include \$27 billion in intelligence funding. About \$10 billion in funding for modularity also may not to be captured. With incomplete obligations data, it is difficult to know how much funding is available or carried over from previous years, a figure typically used to evaluate whether new requests for procurement and Research, Development, Test and Evaluation (RDT&E) are urgent.

For example, using only DFAS reports, DOD's carryover from previous appropriations would be about \$14 billion for funds appropriated in FY2004, FY2005, and FY2006 and another \$14 billion in unobligated procurement monies in the FY2007 bridge. That would suggest that DOD has considerable carryover in investment funds, which could raise questions about whether additional funds are urgently needed. At the same time, DFAS reports show few recent obligations from these earlier years, which suggest that these funds may not be captured in its reports.⁵⁷

For the first time, DOD's FY2007 supplemental request follows more of a standard budget format showing not only the new request but also funding in FY2006, previous enacted bridge funds for FY2007, the full year's funding in FY2007 if the request is enacted, a considerable improvement over previous requests.

⁵³ (...continued)

Reliability of Cost Data and Provide Additional Guidance to Control Costs, GAO-05-882, September 2005, pp. 33, 35; [<http://www.gao.gov/new.items/d05882.pdf>].

⁵⁴ A DOD table attributes \$2.5 billion in funds for Iraq to years *before* the FY2003 Supplemental, which provided funds for the Iraq invasion in the spring of 2003 probably from DOD's baseline funds. Some \$700 million in such funding are mentioned in Bob Woodward's book, *Plan of Attack*. This account was disputed by then-Deputy Defense Secretary Wolfowitz. DOD's most recent justification material for its FY2007 Supplemental Request also appears to include these funds because the \$48 billion shown as Iraq obligations in FY2003 obligations exceeds by \$2 billion the total reported by DFAS. CRS estimates also include intelligence funds not captured by DFAS.

⁵⁵ See CBO, "Estimated Funding for Operations in Iraq and the War on Terrorism," August 25, 2006; [http://www.cbo.gov/ftpdocs/75xx/doc7506/GWOT_Tables_2006_08.pdf].

⁵⁶ DOD, *FY2007 Supplemental*, p. Figures 1 and 2, p. 93 and p. 94. CRS now includes this additional \$2 billion in total war BA.

⁵⁷ CRS calculations from DFAS, *Supplemental & Cost of War Execution Reports*, September, FY2004, FY2005, and FY2006.

Unlike DOD's regular requests, the supplemental does not include funds two years prior to the request or for FY2005. Despite this improvement, some of the FY2006 figures do not match those reported in the DFAS reports, which raises questions about the accuracy of those reports. And only the Army includes the same categories as those used in the DFAS reports making comparisons to prior years difficult if not impossible.

Both CBO and GAO have raised concerns about the fact that DOD obligations reporting classifies large portions of funding as "other services and miscellaneous contracts," a category too vague to be useful. Because of these and other limitations — such as the lack of performance metrics, limited detail on costs, and no outlay figures — estimates of the cost of alternative troops levels are difficult to make.⁵⁸

Uncertainty About Figures. DOD has also periodically revised the figures shown for each operation in previous years suggesting questions about the accuracy of its figures. CRS has used figures from DOD briefings, DFAS reports, and most recently, the FY2007 Supplemental justification to build its estimates. For example, DFAS reports originally showed \$38 billion in obligations for Iraq in FY2003, later revised to \$42.4 billion. Most recently, DOD reports show \$48 billion for Iraq in FY2003, which include not only obligations in later years but also \$2 billion from an unknown source.⁵⁹

The Comptroller General testified that the lack of actual costs, adequate supporting documentation, and reporting problems "make it difficult to reliably know what the war is costing, to determine how appropriated funds are being spent, and to use historical data to predict future trends."⁶⁰ Some suggest that an audit by the Department of Defense Inspector General might resolve these various gaps and discrepancies in cost data. Despite these problems, the DFAS reports are the main figures available that capture past costs and can be used to project future costs. DOD has not been willing to provide Congress with other tools, such as the model the services use to predict operating costs, which reflects assumptions about operating tempo, personnel levels and many other factors.⁶¹

⁵⁸ CBO, Letter to Senator Conrad, Estimated Funding for Operations in Iraq and the Global War on Terror, February 7, 2007. [<http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf>].

⁵⁹ Office of Secretary of Defense, Comptroller, Table with corrected DFAS figures; see DOD, *FY2007 Supp*, Figure 2 for new obligations figures, p. 93; CRS added up figures in DFAS reports for September 2004, FY2005, and FY2006 for OIF from FY2003 monies.

⁶⁰ GAO, Testimony of David Walker, Comptroller General before the Subcommittee on National Security, Emerging Threats and International Affairs, "Global War on Terror: Observations on Funding, Costs, and Future Commitments," July 18, 2006, p. 3 and 4; [<http://reform.house.gov/UploadedFiles/Final%20GAO%20Walker%20Testimony.pdf>].

⁶¹ DOD's Contingency Operations Support Tool (COST) model is used to predict most operating costs.

Congressional Options to Affect Military Operations

As interest in alternate policies for Iraq has grown, Congress may turn to the Vietnam and other experience to look for ways to affect military operations and troop levels in Iraq. In the past, Congress has considered both funding and non-funding options. Most observers would maintain that restrictions tied to appropriations have been more effective. (For an analysis of the legal issues in restricting military operations, see CRS Report RL33837, *Congressional Authority to Limit U.S. Military Operations in Iraq*, by Jennifer K. Elsea, Michael John Garcia, and Thomas J. Nicola. For examples of past enacted and proposed restrictions, see CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*, by Amy Belasco, Hannah Fischer, Lynn Cunningham, and Larry Niksch. For recent proposals to restrict military operations, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.)

Restrictive funding options generally prohibit the obligation or expenditure of current or previously appropriated funds. Obligations occur when the government pays military or civilian personnel, or the services sign contracts or place orders to buy goods or services. Expenditures, or outlays, take place when payment is provided.

Past attempts or provisions to restrict funding have followed several patterns including those that

- cut off funding for particular types of military activities but permit funding for other activities (e.g., prohibiting funds for combat activities but permitting funds to withdraw troops);
- cut off funds as of a certain date in a specific country;
- cut off funds “at the earliest practical date,” which essentially gives the president leeway to set the date;
- cut off funds if certain conditions are met (such as a new authorization) or certain events take place (such as the release of U.S. prisoners of war).

Other non-funding approaches to restrict military operations have:

- required that troops be withdrawn by a specified date in the future or at the “earliest practical date;”
- withdrawn funds unless there was a declaration of war or a specific congressional authorization of the war activities; or
- repealed previous congressional resolutions authorizing military activities.

One or both houses may also state a “sense of the Congress,” or non-binding resolution that does not need to be signed by the President that U.S. military operations should be wound down or ended or forces withdrawn.

While only a handful of provisions have been enacted, congressional consideration of these various limiting provisions placed pressure on the

Administration and thus influenced the course of events. For example, the well-known Cooper-Church provision that prohibited the introduction of U.S. ground troops into Cambodia was enacted in early 1971 after U.S. forces had invaded and then been withdrawn from Cambodia; that provision was intended to prevent the re-introduction of troops.⁶²

Although President Nixon did not re-introduce U.S. troops, the United States continued to bomb Cambodia for the next three years. Later in 1973, Congress passed two provisions that prohibited the obligation or expenditures of “any funds in this or any previous law on or after August 15, 1973” for combat “in or over of from off the shores of North Vietnam, South Vietnam, Laos or Cambodia.”⁶³ The final version reflected negotiations between the Administration and Congress about when the prohibition would go into effect with August 15, 1973 set in the enacted version and bombing did stop on that day.

Several well-known proposals that were not enacted — two McGovern-Hatfield amendments and an earlier Cooper-Church amendment — were also part of this Vietnam Era jockeying between the Administration and Congress. One McGovern-Hatfield amendment prohibited expenditure of previously appropriated funds after a specified date “in or over Indochina” except for the purpose of withdrawing troops or protecting our Indochinese allies while another also prohibiting spending funds to support more than a specified number of troops unless the president notified the Congress of the need for a 60 day extension. The earlier Cooper-Church amendment prohibited the expenditure of any funds after July 1, 1970 to retain troops in Cambodia “unless specifically authorized by law hereafter.”⁶⁴

Generally, Congress continued to provide funds for U.S. troops in Vietnam at the requested levels as the Nixon Administration reduced troop levels. Overall, funding restrictions have generally proven more effective than the War Powers Act, which has been challenged by the executive branch on constitutional grounds.⁶⁵

The FY2007 Supplemental and the FY2008 War Request

When the Administration submitted its requests for a FY2007 Supplemental and FY2008 war costs, Congressional leaders indicated that these would be more closely

⁶² See discussion and language of the Cooper-Church amendment (Sec.7, P.L. 91-652) in CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*.

⁶³ One provision was included in both P.L. 93-52, the Continuing Appropriations Act of 1974 and the Second Supplemental Appropriations Act of 1973, P.L. 93-50, both enacted July 1, 1973; see CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*, by Amy Belasco, Hannah Fischer, Lynn Cunningham, and Larry Niksch.

⁶⁴ See H.R. 17123, H.R. 6531, and H.R. 15628 in Table 1 and Appendix of CRS Report RL33803.

⁶⁵ CRS Report RS20775, *Congressional Use of Funding Cutoffs Since 1970 Involving U.S. Military Forces and Overseas Deployments*, by Richard F. Grimmer.

scrutinized. For FY2008, the Administration is requesting \$141.7 billion for war costs, somewhat less than in FY2007 but about 20% more than in FY2006. (For Congressional action on the FY2007 Supplemental, See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et. al.)

Although the Administration classified both requests as emergency funds, much of the funding would not seem to meet the traditional definition of emergency — as an urgent and “unforeseen, unpredictable, and unanticipated” need — though defense requests in the past have not been held to that standard.⁶⁶

DOD Changes Definition of War Costs. For the past ten years, DOD financial regulations have defined the cost of contingencies to include only incremental costs directly related to operations. Until October 2006, that guidance was used by the services to prepare their estimates for Iraq and GWOT. The guidance required that the service show assumptions about troop levels, operational tempo, and reconstitution and limits requests to incremental costs — “that would not have been incurred had the contingency operation not been supported.” Investment requests are also to be incremental and included “only if the expenditures were necessary to support a contingency operation.”⁶⁷ (Little of this information was provided to Congress in DOD’s requests.)

In the July 19, 2006 guidance to the services for developing the FY2007 Supplemental and FY2008 war cost requests, these strictures were reiterated. That guidance also prohibited including Army modularity “because it is already programmed in FY2007 and the outyears,” and warned that the services would have to demonstrate that investment items were “directly associated with GWOT operations,” rather than to offset “normal recurring replacement of equipment.”⁶⁸ In addition, the services would have to show that reset plans could be executable in FY2007, likely to mean within the last several months of the fiscal year based on experience in FY2006.

On October 25, 2006, Deputy Secretary of Defense Gordon England issued new guidance for requesting war funds to the services, requiring them to submit new requests within two weeks that reflect the “longer war on terror” rather than strictly the requirements for war operations in Iraq, Afghanistan and other counter-terror operations.⁶⁹ Such a substantial change would be expected to reflect guidance from

⁶⁶ CRS Report RL33405, *Defense: FY2007 Authorization and Appropriations*, by Stephen Daggett.

⁶⁷ DOD, *Financial Management Regulations*, Chapter 12, Sec. 23, “Contingency Operations,” p 23-11ff, 23-21, 23-25, 23-27; [http://www.dod.mil/comptroller/fmr/12/12_23.pdf].

⁶⁸ Under Secretary of Defense, Memorandum for Secretaries of the Military Departments, “Fiscal Year (FY) 2008-2013 Program and Budget Review,” July 19, 2006, p. 34-49, specifically p. 36, 39, 41.

⁶⁹ Deputy Secretary of Defense Gordon England, Memorandum for Secretaries of the (continued...)

the Secretary of Defense, the Office of Management and Budget and the President. This new definition appeared to open the way for including a far broader range of requirements particularly since the needs of the “longer war” are relatively undefined.

In its review of the FY2007 Supplemental, the appropriators rejected certain procurement and depot maintenance requests as either unexecutable or not clearly an emergency. (See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.) Since the long war on terror is now part of DOD’s key missions according to the national strategy, it could be argued that these types of expenses should be included in DOD’s regular budget where they would compete with other defense needs.

Procurement Requests in the FY2007 Emergency Supplemental.

Both the FY2007 Supplemental and the FY2008 war cost requests include large increases in procurement funding — \$20.4 billion in FY2006, \$39.7 billion in FY2007, and \$32.9 billion in FY2008. Much of this increase may be a response to the new England guidance to fund requirements for the “longer war” rather than DOD’s traditional definition of war costs as strictly related to immediate war needs.

For example, the Navy initially requested \$450 million for six EA-18G aircraft, a new electronic warfare version of the F-18, and the Air Force \$389 million for two Joint Strike Fighters, an aircraft just entering production; such new aircraft would not be delivered for about three years and so could not be used meet immediate war needs. Other new aircraft in DOD’s supplemental request include CV-22 Ospreys and C-130J aircraft. In its March amendment to the FY2007 Supplemental, the Administration withdrew several of these requests, possibly in anticipation that Congress would cut these aircraft.

Front Loading Reset Funding. The FY2007 Supplemental included an additional \$14 billion for reset — the replacement of war-worn equipment. DOD’s request appears to front load (or fund in advance) DOD’s reset requirements, a fact acknowledged by then-OMB Director Robert Portman in recent testimony.⁷⁰ According to DOD figures, Army and Marine Corps reset requirements were fully met in the enacted FY2007 bridge fund when Congress provided \$23.7 billion for Army and Marine Corps reset costs, the amount that the services said was needed.⁷¹

As substantial amounts of equipment are being sent back to the United States for repair, the Army and Marine Corps would be expected to be able to check previous estimates of the effect of current operations on wear and tear of equipment.

⁶⁹ (...continued)

Military Departments, “Ground Rules and Process for FY’07 Spring Supplemental,” October 25, 2006.

⁷⁰ Testimony of OMB Director Robert Portman before the House Budget Committee, *Hearing on the FY2008 DOD Budget*, February 6, 2007, p. 41 of transcript.

⁷¹ See table inserted by Senator Stevens in *Congressional Record*, August 2, 2006, p. S8571 showing \$23.7 billion for reset, including \$14 billion in procurement; total funded also provided \$4.9 billion for unfunded FY2006 requirement; see also DOD’s *Report to Congress, Long-Term Equipment Repair Costs*, September 2006.

As of enactment of the FY2007 Supplemental, DOD has received about \$64 billion for reset, which is defined as the “process of bringing a unit back to full readiness once it has been rotated out of a combat operation,” by repairing and replacing equipment and resting and retraining troops.⁷² The services are to repair equipment if economical or replace it if replacement costs almost as much as repair.

The FY2007 Supplemental and the FY2008 war request both appear to include an extra year of Army and Marine Corps reset requirements. According to statements by Army Chief of Staff, General Peter J. Schoomaker and other military spokesman, Army reset is estimated to be \$12 billion to \$13 billion a year as long as the conflict lasts at the current level and “for a minimum of two to three years beyond”⁷³ According to Marine Corps Commandant, General Michael Hagee, their requirements are about \$5 billion a year for a total of about \$17 billion for the two services most heavily affected.⁷⁴ DOD estimated that reset would total \$37.5 billion in FY2007 and in FY2008 based on its requests, which was largely supported by Congress in FY2007.⁷⁵ The front loading of requirements may be an attempt by the services to avoid being in the position of requesting reset funds after U.S. troops have started to withdraw.

Although it is clear that reset requirements reflect the stress on equipment from operations, the accuracy of the Army’s estimates has not been determined. Recently, GAO testified that until FY2007, the Army could not track reset or ensure that funds appropriated for reset were in fact spent for that purpose, making it more difficult to assess the accuracy of DOD’s requests.⁷⁶ In addition, presumably much of the equipment that is being repaired now because of the effect of war operations, was originally slated for repair or replacement at a later date, and so is being repaired or replaced sooner than anticipated. That could mean DOD’s baseline budget could be reduced to offset war funding already provided.

⁷² See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al; for definition, see Office of the Secretary of Defense, Report to Congress, *Ground Force Equipment Repair, Replacement, and Recapitalization Requirements Resulting from Sustained Combat Operations*, April 2005, p. 8; see also GAO-06-604T, *Defense Logistics: Preliminary Observations on Equipment Reset Challenges and Issues for the Army and Marine Corps*, p. 3.

⁷³ Statement of Peter J. Schoomaker, Chief of Staff, Department of the Army, before the House Armed Services Committee, “Reset Strategies for Ground Equipment and Rotor Craft,” June 27, 2006, p.2; see also testimony of Brigadier General Charles Anderson, U.S. Army, House Armed Services Subcommittee on Readiness and Subcommittee on Air and Land Forces Hold, transcript, “Joint Hearing on Costs and Problems of Maintaining Military Equipment in Iraq,” January 31, 2007, p. 6.

⁷⁴ Testimony of General Michael Hagee, Marine Corps Commandant before the House Armed Services Committee, “Army and Marine Corps Reset Strategies for Ground Equipment and Rotor Craft,” June 27, 2006, p. 41.

⁷⁵ DOD, *FY2008 Global War on Terror Request*, February 2007, Table 3; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf] hereinafter, DOD, *FY2008 GWOT Request*.

⁷⁶ GAO-07-439T, Testimony of William Solis before the Subcommittee on Readiness and Air and Land Forces, House Armed Services Committee, January 31, 2007, p. 2 and 3.

Reset requirements may also be uncertain because the number of troops and intensity of operations may change. Service estimates of requirements have changed over the past couple of years. In a September 2006 report to Congress, for example, annual reset requirements in FY2008 were estimated to be \$13 billion for the Army and about \$1 billion for the Marine Corps.⁷⁷ Several months earlier in the spring of 2006, the Army estimated that reset requirements would decrease from \$13 billion a year to \$10.5 billion a year for the next two years and then decline to \$2 billion a year if troops were withdrawn over a two-year period.⁷⁸ A year earlier, in March 2005, CBO estimated that annual repair and replacement costs would run about \$8 billion a year based on the current pace of operations and service data.⁷⁹

DOD's definition of reset now includes not only replacing battle losses (typically about 10% of the total), equipment repair (about half) but also recapitalization that typically upgrades current equipment, and repair and replacement of prepositioned equipment stored overseas that has been tapped to meet war needs. The Army has been planning to recapitalize equipment and modernize prepositioned equipment stocks to match the new modular designs as part of its ongoing modernization. For this reason, it's not clear whether these expenses are actually incremental wartime requirements.

Modularity as an Emergency Expense. The distinction between war-related and regular funding has also been made murky by DOD requests to treat conversion of Army and Marine Corps units to new standard configurations — known as modularity and restructuring — as a war requirement. For example, at DOD's request, Congress agreed to provide \$5 billion in the FY2005 and in FY2006 supplementals for converting units with the understanding that DOD would move these funds back to its regular budget in later years. The FY2007 supplemental again included \$3.6 billion to convert two Army brigade teams and create an additional Marine Corps regimental combat team highlighting the issue of whether funds that are part of DOD's regular requirements are being shifted to emergency funding.

DOD argued that these costs should be considered war-related because having more modular units makes it easier to rotate units to the war zone and hence would extend the time between deployments giving soldiers more time at home, or “dwell time” and hence improving readiness. This conclusion has been questioned in studies by CBO and the RAND. Both studies found that modularity would only marginally improve rotation schedules. CBO estimated that the Army's modularity initiative would only make available an additional 6,000 to 7,000 troops.⁸⁰

⁷⁷ Office of the Secretary of Defense, Report to the Congress, “Long-Term Equipment Repair Costs,” September 2006, p. 24 and p. 25.

⁷⁸ Army Briefing, “Army Equipment Reset Update,” May 18, 2006, p. 8.

⁷⁹ CBO Testimony by Douglas Holtz-Eakin, Director, “The Potential Costs Resulting from Increased Usage of Military Equipment in Ongoing Operations,” before the Subcommittee on Readiness, House Armed Services Committee April 6, 2005, p. 2.

⁸⁰ The RAND study argued that the types of units created were not those most needed. RAND, *Stretched Thin: Army Forces for Sustained Operations*, 7-15-05; (continued...)

Congress included the funds in the FY2005 and FY2006 with some reluctance (effectively giving the Army more room in its regular budget for two years) based on an understanding with DOD that this funding would return to the regular budget after FY2006 and that \$25 billion was set aside for the Army in future years to cover these costs.⁸¹ Congress appears to have approved these costs in FY2007 as well.

DOD does not estimate the effect of either its previous or new funding for modularity on the amount of time soldiers have at home between deployments.

Growing the Force as a War Cost. Previously, Congress has provided funding to cover “overstrength” or the cost of recruiting and retaining additional personnel above the Army’s pre-war end strength of 482,000 and the Marine Corps end strength of 175,000. DOD has argued that these increases were required to reduce the stress on forces and that the increases would be temporary. In January 2007, the President announced plans to permanently increase the size of the Army and Marine Corps by 92,000 over the next six years including the almost 30,000 additional personnel already on board.

The FY2007 supplemental included a total of \$4.9 billion to cover the military personnel cost of additional troops plus \$1.7 billion for equipment and infrastructure for the forces to be added in FY2007. DOD promises that funding to equip future increases in the force will be funded in the regular budget starting in FY2009.

In a reversal of its previous position, DOD argued that the Army and Marine Corps need to be permanently expanded by 92,000 by 2012. The President’s proposal marks a major change and appears to assume that the United States needs to be able to deploy substantial numbers of troops on a permanent basis. CBO estimates that adding two divisions to the Army — roughly equivalent to the President’s proposal — would require an additional \$108 billion between FY2008 and FY2017, a major investment.⁸²

Questions About War-Related Procurement Issues. To evaluate DOD’s war-related procurement requests, Congress may want to consider

- whether reset requirements are sufficiently firm to justify front loading and what assumptions about force levels and the pace of operations underlie those requests;
- whether upgrading equipment and replacing prepositioned equipment is actually a war expense rather than a part of ongoing modernization initiatives;

⁸⁰ (...continued)

[http://www.rand.org/pubs/monographs/2005/RAND_MG362.pdf]. CBO, *An Analysis of the Military’s Ability to Sustain an Occupation in Iraq: an Update*, October 5, 2005; [<http://www.cbo.gov/ftpdocs/66xx/doc6682/10-05-05-IraqLetter.pdf>].

⁸¹ Program Budget Decision 753, “Other Secretary of Defense Decisions,” December 23, 2004, p. 1.

⁸² CBO, *Budget Options*, February 2007, p.9-10; [<http://www.cbo.gov/ftpdocs/78xx/doc7821/02-23-BudgetOptions.pdf>].

- how war funding of repair and replacement of equipment could affect maintenance and procurement needs funded in DOD's regular budget;
- whether upgrades requested reflect requirements to equip deployed or deploying forces — war-related — or the entire force; and
- whether DOD estimates of war requirements for force protection reflect war-related requirements for deploying forces or modernization of the entire force.

To some extent, these war-related requirements for recapitalization, modularity, force protection, and upgrades overlap each other and the baseline budget since all involve the purchase of new equipment to improve capability. Since DOD is constantly modernizing, some of the funding for these requirements may have been assumed in estimates for the later years of DOD's baseline budget. DOD appears to have shifted some of its baseline requirements to war requests.

Shifting funding from the regular budget to emergency funding is attractive because DOD's emergency spending has not been subject to budget caps, allowing the services to substitute other less urgent requirements in their baseline budgets. On the other hand, DOD consistently faces budget pressure from unanticipated increases in the cost of its new weapon systems.

The FY2007 Supplemental also includes a more than doubling of the amounts for force protection, and substantial increases in funding Iraq and Afghan Security Forces as well as over \$1 billion for military construction funding in FY2007. See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al for additional information on these and other war issues.

Potential Readiness Issues

In recent months, service representatives and Members of Congress have raised concerns about current readiness levels, particularly the Army's ability to respond to the full range of potential war scenarios with trained personnel and fully-operational equipment, a concern recently reiterated to Congress by General Pace, Chair of the Joint Chiefs of Staff.⁸³ According to reports, current Army readiness rates have declined to the lowest levels since the end of the Vietnam war with roughly half of all Army units, both active and reserve, at the lowest readiness ratings for currently available units.⁸⁴

Because DOD's standard ratings (known as C-ratings) assess readiness relative to the full range of standard wartime scenarios, however, they do not necessarily reflect whether units are ready to deploy to Iraq and Afghanistan to conduct counterinsurgency operations. For example when asked about his readiness concerns during a hearing of the House Armed Services Committee, General Schoomaker,

⁸³ Washingtonpost.com, "General Pace: Military Capability Eroding," February 27, 2007.

⁸⁴ U.S. House of Representatives, Committee on Appropriations — Democratic Staff, "United States Army Military Readiness," September 13, 2006, pp. 2-4.

Chief of Staff of the Army stated that “I have no concerns about how we are equipping, training and manning the forces that are going across the berm into harm’s way. But I do have continued concerns about the *strategic depth* of the Army and its readiness,” referring to other potential missions of the Army [italics added].⁸⁵

General Schoomaker’s testimony may reflect an alternate DOD readiness system that assesses units about to deploy to carry out missions that are not their traditional ones. In this circumstance, the services use an alternate readiness reporting system known as “Percent Effective” or PCTEF. Unlike standard ratings, which largely reflect specific quantitative criteria, percent effectiveness ratings reflect a “subjective assessment of the unit’s ability to execute its currently assigned ‘nontraditional’ mission.”⁸⁶ Unit commanders are to judge whether the unit has:

- the required resources and is trained to carry out all missions (a rating of 1);
- most of its missions (a rating of 2);
- many but not all of its missions (a rating of 3); or
- requires additional resources to carry out its assigned missions (a rating of 4).⁸⁷

According to reports, the Army is facing shortages of certain equipment and personnel for state-side units who are currently either training up so as to deploy at a later date or are part of the strategic reserve who could be called upon should other contingencies arise elsewhere. Such shortages could affect a unit’s ability to train and be fully prepared for its various missions. At the same time, some training limitations that are captured in a unit’s standard readiness ratings — for example, for large-scale combat operations — may not affect a unit’s ability to conduct counter-insurgency operations in Iraq or Afghanistan. In testimony in January 2007, however, then-Army Chief of Staff, General Peter Schoomaker acknowledged that for deploying units, “there is important equipment that is only available in Kuwait that they must train on before they cross the berm,” that is training conducted shortly before final deployment in-country.⁸⁸

Another readiness concern is the fact that some active duty members are redeploying with less than a year at home to rest and retrain raising concerns that members may choose not to re-enlist which could create problems in meeting recruitment and retention goals. Although there were some shortfalls in FY2005, the

⁸⁵ Transcript of hearing before House Armed Services Committee, “Hearing on Iraq Policy Issues: Implications of the President’s Policy for Readiness, the Total Force and Strategic Risk,” January 23, 2007, p. 10.

⁸⁶ Joint Chiefs of Staff, “Chairman of the Joint Chiefs of Staff Manual 3150.02A”, p. J-4.

⁸⁷ *Ibid.*

⁸⁸ Transcript of hearing before House Armed Services Committee, “Hearing on Iraq Policy Issues: Implications of the President’s Policy for Readiness, the Total Force and Strategic Risk,” January 23, 2007, p. 10.

Army was only 1% short of meeting its FY2006 goal of recruiting 186,000 personnel for its active-duty and reserve forces, and retention continues to exceed goals.⁸⁹

While some units re-deploy within a year, many of the individuals that make up those units are no longer in that unit because of new assignments. A better measure may be the fact that of the 1.5 million individuals who have deployed for Iraq of OEF, about 30% have had more than one deployment.⁹⁰

Reserve units have also been frequently cited as short of equipment because some equipment has been left behind in Iraq and replacement equipment has not been delivered. Problems with reserve readiness are longstanding because until the Afghan and Iraq operations, reservists were seldom deployed for contingencies and thus were traditionally given less equipment and fewer personnel.⁹¹ Recent DOD requests include substantial funding for new equipment for the reserves.

While some readiness concerns, like those of the reserves, are longstanding, it is not clear how long other readiness problems have persisted or how long they will continue. This debate about readiness has sharpened with the President's decision to increase troop levels in Iraq and Afghanistan by about 35,000 and congressional consideration of withdrawal options. At issue may be how long readiness problems are expected to persist and whether problems reflect lack of resources or management problems such as an inability to identify ongoing reset and hence ensure that equipment that is needed most urgently is fixed or replaced first.

Readiness of Afghan and Iraqi Security Forces. Congress has raised considerable concerns about the readiness of Afghan and Iraqi security forces. Despite concerns about the effectiveness of training efforts thus far, Congress has provided full funding of DOD's request in the FY2007 Supplemental because of the high stakes involved. With passage of the supplemental, annual appropriations to train and equip Afghan forces grow from \$1.9 billion in FY2006 to \$7.4 billion in FY2007. For Iraqi security forces, FY2007 appropriations increase from \$4.9 billion in FY2006 to \$5.5 billion in FY2007. Thus far, Congress has provided a total of \$30.2 billion for these purposes, including \$19.2 billion for Iraq and at least \$10.6 billion for Afghanistan (see **Table 8**).⁹²

It is not clear whether these increases can be absorbed effectively in both countries. As of March 2007, DOD had available about \$1.9 billion for Iraqi training

⁸⁹ See Tables 1, 3, and 5 in CRS Report RL32965, *Recruiting and Retention: An Overview of FY2005 and FY2006 Results for Active and Reserve Component Enlisted Personnel*, by Lawrence Kapp and Charles A. Henning.

⁹⁰ Defense Manpower Data Center, "Contingency Tracking System Deployment File for Operations Enduring Freedom & Iraqi Freedom," As of December 31, 2006.

⁹¹ GAO-5-660, *Reserve Forces: An Integrated*; GAO-06-1109T, *Reserve Forces: Army National Guard and Army Reserve Readiness for 21st Century Challenges*, September 21, 2006.

⁹² Total includes \$5 billion appropriated to the State Department for Iraq training in FY2004. Afghanistan has also received funding for its training from State Department accounts.

and about \$300 million for Afghan training from prior year monies. With the funds appropriated in FY2007 supplemental, DOD will have a total of \$7.5 billion for the Iraq Security Forces Fund (ISFF) and \$6.1 billion for the Afghanistan Security Forces Fund (ASFF) to spend over the next 18 months based on DOD accounting reports. By way of comparison, DOD obligated \$5.1 billion for Iraq and \$1.8 billion for Afghanistan in FY2006.⁹³

To monitor progress, Congress required in the FY2007 Supplemental that by September 22, 2007, DOD submit an assessment by a private entity of the capability of the Iraqi Security Forces to provide security within the next 12 to 18 months and the “likelihood that, given the ISFF’s record of preparedness to date ... the continued support of U.S. troops will contribute to the readiness of the ISF to fulfill” its missions (see Section 1313 (e) (2)).⁹⁴ The final version also requires a DOD report on the readiness of individual Iraqi units within 30 days, a detailed report by OMB on individual projects, and an estimate of the total cost to train both Iraqi and Afghan security forces within 120 days with updates every 30 days (Sec. 3301).

**Table 8. Afghan and Iraq Security Forces Funding:
FY2004-FY2008 Request**

(in billions of dollars)

Account	FY04	FY05	FY06	FY07 Budg.	FY07 Supp.	FY07 Total	Total Enacted ^a	FY08 Req.
Afghan Security Forces Fund ^a	[.348] ^a	1.285	1.908	1.500	5.906	7.406	11.136	2.700
Iraq Security Forces Fund ^a	[5.000] ^a	5.700	3.007	1.700	3.842	5.542	19.251	2.000
TOTAL^a	[5.339]	6.985	4.915	3.200	9.748	12.948	30.187	4.700

Notes and Sources:

- a. Figures in [] brackets are funds to train Iraqi security forces that were appropriated to the State Department; later funds were appropriated to DOD. Iraq total includes enacted funds from all sources. Afghanistan total does not include about \$1 billion to \$2 billion that Afghan security forces received in FY2004 and FY2005 through State Department or foreign military sales financing according to GAO-05-575, *Afghanistan Security: Efforts to Establish Army and Police Have Made Progress, but Future Plans Need to Be Better Defined*, June 2005, p. 9. Figures reflect CRS calculations from public laws and conference reports.

Improving War Cost Reporting

How might Congress get better, accurate information on war costs? To provide Congress a better basis for oversight, DOD could:

⁹³ CRS calculations based on Defense Finance and Accounting Service (DFAS), *Supplemental & Cost of War Execution Reports*, September 2006 and March 31, 2007; ASFF and ISFF funds are available for two years.

⁹⁴ Sec. 1313, P.L.110-28 requires that the report is to be submitted to the armed services, appropriations, foreign relations, international relations, and intelligence committees of both houses 120 days after enactment.

- provide estimates of the allocations of all budget authority provided for OIF and OEF including transfers;
- provide past, current and future estimates of average troop strength — both deployed and total — for each operation and other key cost drivers such as operating tempo;
- set up separate appropriation accounts for war funding to create visibility on outlays and increase accuracy;
- compare all budget authority appropriated for war with obligations for each operation to identify trends and reporting inconsistencies;
- explain the rationale and assumptions underlying estimates of reset requirements to repair and replace equipment that is worn out or lost in combat, and track amounts actually spent;
- estimate and explain how recapitalization and upgrade requirements are related to war needs rather than ongoing modernization;
- show how funding provided in supplemental appropriations may reduce DOD's baseline requests by funding maintenance or procurement earlier than anticipated;
- estimate future costs under various scenarios.

In its Section 9010 report, DOD provides Congress with fairly detailed quarterly reporting on various metrics for success in Iraq — ranging from average daily hours of electrical power by province to average weekly attacks on civilians, Iraq Security Forces and coalition forces — but measures of U.S. military costs are not required. Detailed reporting of different military costs and troop levels could be included as a metric for assessing operations Iraq, Afghanistan and other counter terror operations.⁹⁵ Particularly if the global war on terror is indeed “the long war” of indefinite duration, better cost reporting could aid congressional oversight and assessment of emergency funding requests.

⁹⁵ *H.Rept. 109-72*, p. 97; DOD, Section 9010 Report to Congress, “Measuring Stability and Security in Iraq;” [http://www.defenselink.mil/pubs/iraq_measures.html].

Appendix

**Table A1. Defense Department, Foreign Operations Funding, and VA Medical Funding for Iraq, Afghanistan and Other Global War on Terror Activities
FY2001-FY2008 DOD Appropriations**

(in billions of dollars of budget authority)^a

Name of law	Public Law No.	Date Enacted	DOD Funds	Foreign Aid Embassy	VA Medical	Total cost
FY2001 Emerg. Supp. Approp. Act for Recovery from and Response to Terrorist Attacks on the United States	P.L. 107-38	9/18/01	13.6	0.3	0.0	13.9
FY2002 Dept. Of Defense and Emergency Terrorism Response Act	P.L. 107-117	1/10/02	3.4	0.0	0.0	3.4
FY2002 Emergency Supplemental	P.L. 107-206	8/2/02	13.8	0.4	0.0	14.1
FY2002 Regular Foreign Operations	P.L. 107-115	1/10-02	0.0	0.2	0.0	0.2
FY2003 Consolidated Approps	P.L. 108-7	2/20/03	10.0	0.4	0.0	10.4
FY2003 Emergency Supplemental	P.L. 108-11	4/16/03	62.6	3.3	0.0	66.0
FY2003 DOD Appropriations ^b	P.L. 107-48	10/23/02	7.1	0.0	0.0	7.1
FY2004 DOD Appropriations Act ^b	P.L. 108-87	9/30/03	-3.5	0.0	0.0	-3.5
FY2004 Emergency Supplemental	P.L. 108-106	11/6/03	64.9	21.2	0.0	86.1
FY2004 Foreign Operations Approps.	P.L. 108-199	1/23/04	0.0	0.5	0.0	0.5
FY2005 DOD Appropriations Act, Titles IX and X ^c	P.L. 108-287	8/5/04	25.0	0.7	0.0	25.7
FY2005 Supplemental Approps ^e	P.L. 109-13	5/11/05	75.9	3.1	0.0	79.0
FY2005 Omnibus Appropriations	P.L. 108-447	12/8/04	0.0	1.0	0.0	1.0
FY2005 DOD Appropriations Act ^d	P.L. 108-287	8/5/04	2.1	0.0	0.0	2.1
FY2006 DOD Approps Act, Title IX ^c	P.L. 109-148	12/30/05	50.0	0.0	0.0	50.0
FY2006 DOD Appropriations Act ^d	P.L. 109-148	12/30/05	0.8	0.0	0.0	0.8
FY2006 Foreign Operations Approps.	P.L. 109-102	11/14/05	0.0	1.0	0.0	1.0
FY2006 Science, State, & Rel. Agencies Appropriations Act ^e	P.L. 109-108	11/22/05	0.0	0.1	0.0	0.1
FY2006 Interior & Rel. Ag. Approp. ^f	P.L. 109-54	8/2/05	0.0	0.0	0.2	0.2
FY2006 Military Quality of Life & Veterans Affairs ^f	P.L. 109-114	11/30/05	0.0	0.0	0.5	0.5
FY2006 Emergency Supplemental	P.L. 109-234	6/14/06	66.0	3.2	0.0	69.3
FY2007 DOD Appropriations Act, Baseline and Title IX ^c	P.L. 109-289	9/29/06	70.5	0.0	0.0	70.5
FY2007 Continuing Resolution	P.L. 110-5	2/15/07	0.0	2.1	0.6	2.7
FY2007 Supplemental	P.L. 110-28	5/25/07	95.2	3.7	0.4	99.3
FY2008 Continuing Resolution	P.L. 110-92	9/29/07	5.2	0.0	0.0	5.2
FY2008 DOD Appropriations Act	NA		11.6	0.0	0.0	0.0
Subtotal			574.4	40.1	1.6	616.1
Unidentified Transfers ^h	unknown	unknown	2.0	0.0	0.0	2.0
FY2003 Transfers	various	NA	1.2	0.0	0.0	1.2
FY2004 Transfers	various	NA	5.7	0.0	0.0	5.7
FY2005 Transfers	various	NA	1.5	0.0	0.0	1.5
Subtotal Transfers^h			10.4	0.0	0.0	10.4
TOTAL ENACTED (w/ transfers)	NA	NA	584.8	40.1	1.6	626.5

Source: CRS calculations based on public laws and DOD documents.

Notes: NA=Not Applicable. Totals may not add due to rounding.

- a. Totals reflect budget authority for war-related expenses from appropriations and transfers, and exclude contingent appropriations not approved, rescissions that do not affect war-related funds, and transfers that were later restored in supplemental appropriations.
- b. FY2003 Appropriations Act included \$7.1 billion in regular FY2003 defense appropriations for GWOT that DOD cannot track; the FY2004 DOD Appropriations Act rescinded \$3.5 billion in FY2003 war monies.
- c. DOD's regular appropriations bills included a separate Title IX for additional emergency appropriations for war costs in FY2005, FY2006, and FY2007 to "bridge" the gap between the beginning of the fiscal year and passage of a supplemental. Title IX funds in FY2005 do not include a \$1.8 billion scoring adjustment that reverses the previous rescission of FY2004 funds because this did not change wartime monies.
- d. Reflects funds obligated for enhanced security (Operation Noble Eagle) in FY2005 and FY2006 from DOD's baseline funds as reported by Defense Finance Accounting Service.
- e. Excludes funds for Tsunami relief.
- f. Includes VA medical funds for Iraq and Afghan veterans in emergency funding in Interior bill and in regular VA appropriations.
- g. CRS estimates of likely amounts to be provided for Iraq and Afghanistan for foreign and diplomatic operations and VA medical under the FY2007 Continuing Resolution.
- h. CRS calculations of transfers from DOD's regular appropriations to war funding based on DOD's 1414 reports on prior approval reprogrammings and other sources. From DOD documents, it appears that DOD transferred about \$2.0 billion from its baseline funds to prepare for the Iraq invasion during the summer and fall of 2002 but the source of those funds is not identified.